

SECOND REHEARING DIRECT TESTIMONY AND EXHIBITS

OF DAWN M. HIPPI

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2014-346-WS

**IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY,
INCORPORATED FOR APPROVAL OF AN INCREASE FOR WATER AND
SEWER RATES, TERMS AND CONDITIONS**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Chief Operating Officer of the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my bachelor's degree in political science from Minnesota State University - Moorhead. Prior to my employment with ORS, I managed the financial, operations and regulatory aspects for an environmental company that provided turn-key hazardous waste consulting services for the United States Department of Defense.

In 2004, I joined ORS as a Program Specialist for the Water and Wastewater Department. I became a Director in 2007, and in 2018, was promoted to the position of Chief Operating Officer with responsibility for all ORS operational functions within the following divisions: Energy Policy; Utility Rates and Services; Telecommunications; Consumer Services; and Safety, Transportation, and Emergency Response.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have testified on numerous occasions before the Commission relating to general rate cases, consumer complaints and other proceedings. I provided testimony to this Commission in the rehearing for Daufuskie Island Utility Company, Inc. (“DIUC” or the “Company”) on December 6 and 7, 2017.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly as follows:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS SECOND REHEARING PROCEEDING?

A. The purpose of my testimony is to re-affirm ORS’s recommendations to exclude \$699,361 from the calculation of utility plant in service and exclude \$542,978 in rate case expenses from recovery through customer rates for Daufuskie Island Utility Company, Inc. (“DIUC” or “Company”). I will also respond to the direct testimony offered by DIUC witness John F. Guastella on June 16, 2020, in which DIUC witness Guastella requests the Commission approve the following for DIUC:

- 1) proposed rates that exceed the rates originally noticed to customers;
- 2) an effective date of proposed rates resulting from the second rehearing of July 1, 2020 – before the Commission’s hearing in this matter; and

3) recovery of lost revenue, earnings, equity and refunds in the form of surcharges to customers.

ORS does not object to the Company's request that appeal costs totally \$13,807.53 be shared equally between ORS, Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc. and Bloody Point Property Owner's Association.

Q. DO YOU INCORPORATE BY REFERENCE CERTAIN EVIDENCE ALREADY CONTAINED IN THE RECORD IN YOUR SECOND REHEARING DIRECT TESTIMONY?

A. Yes. My testimony and analysis incorporate evidence from the record of the original hearing and first remand hearing. I referenced the evidence I rely upon throughout the testimony and, in some cases, do not provide a physical copy of the evidence as an Exhibit. If the Commission requests a physical copy of the evidence be provided to assist the Commission, ORS will provide the information.

Q. HAVE YOU REVIEWED SOUTH CAROLINA SUPREME COURT OPINION NO. 27905?

A. Yes. I reviewed the South Carolina Supreme Court Opinion.

Q. DID THE SOUTH CAROLINA SUPREME COURT PROVIDE GUIDANCE TO THE COMMISSION AND ORS FOR HOW RATE CASE EXPENSES AND RATE BASE ARE TO BE REVIEWED IN THIS PROCEEDING?

1 A. Yes. The Supreme Court's Opinion requires that "[t]he Commission, and ORS
2 evaluate the evidence and carry out their important responsibilities consistently, within the
3 'objective and measurable framework' the law provides.¹

4 **Q. PLEASE EXPLAIN HOW ORS EMPLOYED THE GUIDANCE FROM THE**
5 **SOUTH CAROLINA SUPREME COURT IN ITS RECOMMENDATION IN THIS**
6 **PROCEEDING.**

7 A. ORS witness Mark Rhoden concluded that ORS performed its review of the rate
8 case expenses in a manner consisted with proper audit practices. Included in ORS audit
9 practice is a review of utility expenses and vendor invoices to determine if:

10 1) The invoice is mathematically correct;

11 2) The invoice is for a valid business purpose;

12 3) The expense was incurred during the period under review;

13 4) The invoice was properly recorded on the books and records of the Company;

14 and

15 5) The invoice was paid by the Company.

16 The review standards are consistently applied by ORS to all utilities seeking rate
17 relief from the Commission and are established by the National Association of Regulatory
18 Utility Commissions ("NARUC"). The standards are known and measurable and provide
19 an objective framework for which ORS continues to make recommendations on the
20 recoverability of utility expenses to the Commission.

¹ Daufuskie Island Utility Company, Inc. v. S. C. Office of Regulatory Staff, 427 S.C. 458, 464, 832 S.E.2d 572, 575 (2019).

Q. DID ORS REQUEST ADDITIONAL INFORMATION FROM THE COMPANY TO FULLY UNDERSTAND DIUC WITNESS GUASTELLA'S DIRECT TESTIMONY?

A. Yes. ORS issued a discovery request to DIUC on June 29, 2020, to evaluate the \$269,356 for rate case expenses DIUC witness Guastella requested for recovery t in his direct testimony in this proceeding. The discovery request issued by ORS is attached as Second Rehearing Direct Exhibit DMH-1. The due date of the expected response from the Company is July 10, 2020. ORS reserves its right to update its testimony recommendations should new information become available.

Exclusion of \$699,361, from the Calculation of DIUC's Utility Plant in Service

Q. PLEASE SUMMARIZE ORS'S RECOMMENDATION TO EXCLUDE \$699,361 FROM THE CALCULATION OF DIUC'S UTILITY PLANT IN SERVICE.

A. ORS proposed to adjust gross plant in service to reflect the guidance provide by the South Carolina Supreme Court Opinion No. 27729. The adjustment to gross plant in service proposed by ORS of (\$699,361) is reflected in Revised Rehearing Exhibit DFS-5 attached to the Revised Rehearing Testimony of ORS witness Daniel Sullivan. The ORS recommended adjustment to exclude (\$699,361) reflects the difference between the Company's books and records and ORS utility plant in service calculations in Docket No. 2011-229-WS. ORS determined the difference is due to the fact the Company did not incorporate adjustments made to utility plant in service from prior rate cases. *See* Direct Testimony of Ivana C. Gearhart page 9, lines 16 through 18, and Rehearing Surrebuttal Testimony of Daniel F. Sullivan page 3, lines 1 through 5. The Company presented no new

evidence to demonstrate the Company has established a process for preparing accounting estimates that can be audited in a transparent manner. DIUC witness Guastella provides no duplicate invoices from vendors, cancelled checks as proof of payment, copies of cancelled checks from banks, copies of paid contracts or an independent third-party estimate to support his assertion that the plant in service adjustments made by ORS in Docket No. 2011-229-WS were inaccurate. It is ORS's customary practice to incorporate all adjustments to utility plant in service from past rate cases such that ORS's utility plant in service calculations reflect Commission-approved adjustments. Once the Commission approves utility plant in service values based on original cost, ORS verifies the original cost values in subsequent rate cases and does not propose adjustments to the original cost previously approved by the Commission.

DIUC witness Guastella seems to assert that the Company's lack of records to support the utility plant in service accounts represented in DIUC's original Application should be overlooked by the Commission. Simply stated, ORS cannot verify that \$699,361 of utility plant in service as recorded on the Company's books are used and useful or known and measurable because there are no records to support the claim by DIUC. Therefore, ORS affirms its position to exclude (\$699,361) in utility plant in service.

Exclusion of \$542,978 in Rate Case Expenses from Recovery through Customer Rates

Q. PLEASE SUMMARIZE ORS'S RECOMMENDATION TO EXCLUDE \$542,978 IN RATE CASE EXPENSES FROM THE CALCULATION OF CUSTOMER'S RATES.

1 A. ORS proposed to exclude from customer's rates \$542,978 in rate case expenses
2 related to invoices rendered by DIUC vendor, Guastella Associates, LLC ("GA"). The
3 recommendation to exclude \$542,978 in rate case expenses was premised on a review of
4 vendor invoices and supporting information provided by DIUC that demonstrated the
5 vendor invoices lacked sufficient detail and were not paid by DIUC. ORS provided an
6 itemized listing of each vendor invoice and the deficiencies identified for each invoice. *See*
7 Surrebuttal Rehearing Testimony of Dawn M. Hipp Surrebuttal Rehearing Exhibit DMH-
8 1 for the listing of vendor invoices and rationale for ORS's recommendation.

9 DIUC contracts with GA to provide daily operations and management services. The
10 management agreement with GA requires DIUC to employ GA for work related to rate
11 cases under a separate agreement approved by the President. However, DIUC produced no
12 separate written agreement to detail the specific services to be rendered or rates authorized
13 to be billed by GA for preparation and filing of a rate case and appeal proceedings. The
14 absence of a separate agreement between DIUC and its vendor, GA, makes it impossible
15 for ORS to verify what work is performed and at what rate GA is to be paid for work to
16 support rate case and appeal proceedings. GA, as DIUC's manager, controls vendor
17 payments which include review and approval of invoices rendered by GA to DIUC for
18 services performed to support a rate case. In summary, DIUC and GA are engaged in less
19 than arms-length transactions. DIUC witness Guastella is listed as a member of the DIUC
20 board of directors in the 2019 Annual Report. DIUC entered into a management agreement
21 with GA that requires DIUC to use GA to provide additional consulting services, outside
22 of the management agreement, for which no separate agreement exists to confirm the type,

amount and price for work performed by GA. DIUC ceded to GA the ability to control and influence the operational and financial decisions of DIUC. It is DIUC's duty to conduct the ongoing business of the utility at arm's length to protect the utility and the customers from unnecessary economic risk.

DIUC's second rehearing testimony offers no additional evidence to demonstrate the deficiencies that caused ORS to make the recommendation to exclude \$542,978 from rate case expenses have been remedied. Therefore, based upon the evidence, ORS affirms its position to exclude \$542,978 from rate case expenses at this time.

Q. DID THE COMMISSION ALLOW DIUC AN OPPORTUNITY TO REMEDY THE RATE CASE EXPENSE INVOICE DEFICIENCIES IN A SUBSEQUENT RATE CASE?

A. Yes. Commission Order No. 2018-68 page 45 included the following Finding of Fact:

9. For certain rate case expenses, DIUC failed to provide invoices that could be verified; as a result, DIUC is ineligible for cost recovery of those expenses at this time. **However, the Company may reapply for recognition of these expenses in its next rate case, if its invoices meet the criteria established by ORS.** (emphasis added)

In addition, Commission Order No. 2018-346 stated:

Although DIUC failed to meet its burden regarding sufficiency of evidence in this case, the Commission has made it clear that **the Company is not foreclosed from providing supporting evidence on this issue that satisfy the criteria listed by ORS witness Hipp presented at the rehearing in its next rate case.** (emphasis added)

Q. UNDER S.C. CODE ANN. § 58-5-240, IS DIUC PROHIBITED FROM FILING AN APPLICATION TO CHANGE CUSTOMER RATES?

1 A. No. The Company was eligible to file for a rate change on or around June 9, 2016,
2 according to the Commission's Docket Management System.

3 **Q. PLEASE RESPOND TO DIUC'S ASSERTION THAT "ORS CHANGED ITS**
4 **PREVIOUSLY PROPOSED ADJUSTMENT APPROVING RATE CASE**
5 **EXPENSES OF \$75,000 (WHICH INCLUDED COMPENSATION FOR WORK BY**
6 **GA)."**²

7 A. DIUC's assertion is not based on facts or evidence. ORS recommended and the
8 Commission approved rate case expenses of \$272,382 which include \$75,000 in rate case
9 expenses approved by the Commission in Order No. 2015-846. The Settlement Agreement
10 approved by the Commission allowed an amount of rate case expense not to exceed
11 \$75,000 for work completed by DIUC to prepare the application, develop rate models,
12 calculate test year data, file documents and other legal services. However, under the
13 Settlement Agreement, the rate case expense amount of \$75,000 was determined by the
14 parties to the Settlement Agreement to be reasonable and was not linked to specific
15 invoices provided by the Company or verified by ORS. DIUC provides no support for the
16 assertion that ORS changed its proposed adjustment to disallow the same GA invoices that
17 were previously approved by the Commission because the \$75,000 amount for rate case
18 expenses was an amount based solely on the Company's experience from the 2011 case
19 and the parties agreement.

20 Upon remand, DIUC requested recovery of \$794,210 in additional rate case
21 expenses of which DIUC presented 56 invoices from vendors which totaled \$705,210.²³

² Second Rehearing Direct Testimony John F. Guastella page 9 lines 22 and 23

See ORS Rehearing Exhibit DMH-1 attached to Revised Rehearing Direct Testimony of Dawn Hipp. It is clear that ORS recommended DIUC be allowed to recover \$75,000 plus an additional \$197,382 for a total of \$272,382 in rate case and bond expenses through customer's rates. DIUC's false assertion that ORS changed its position and disallowed \$75,000 should be rejected. And, the Commission authorized the Company to re-apply for recognition of the rate case expenses in its next rate case, if its invoices meet the criteria established by ORS which supports the fact there was no disallowance as claimed by DIUC.

Q. PLEASE RESPOND TO DIUC'S REQUEST THAT THE COMMISSION ALLOW RECOVERY OF \$269,356 OF RATE CASE EXPENSE THROUGH CUSTOMER'S RATES.

A. DIUC specifically requests "[b]ased on the ample evidence in the record, the Commission should find and conclude that DIUC has incurred and should be allowed to include rate case expenses of \$269,356 for GA fees incurred through September 30, 2017."³ DIUC's second rehearing testimony offers no additional evidence to demonstrate the deficiencies that caused ORS to make the recommendation to exclude \$542,978 from rate case expenses have been remedied. Likewise, DIUC offers no credible support or evidence, beyond the unsupported assertions of DIUC's witness, to justify which GA fees or invoices are included in the total of \$269,356 and if those invoices now satisfy the objective and measurable criteria identified by ORS. ORS affirms its position to exclude \$542,978 from rate case expenses at this time.

³ Second Rehearing Direct Testimony of John F. Guastella page 11 lines 7 through 9.

Proposed Rates that Exceed the Rates Originally Noticed to Customers

Q. PLEASE SUMMARIZE THE RATES REQUESTED BY DIUC IN ITS SECOND REHEARING DIRECT TESTIMONY.

A. Similar to the first rehearing, it appears that DIUC requests the Commission approve water and sewer rates and charges that exceed the proposed rates included in its original Application and noticed to customers. DIUC requests the Commission approve on second remand an additional 12.055% increase to total annual revenues. Second Rehearing Direct Exhibit DMH-2 summarizes the proposed rates noticed to customers, the rates implemented by DIUC at differing intervals and the rates requested by DIUC in testimony exhibit JFG-RR7. In general, DIUC requests the Commission approve in this second rehearing, an increase in the residential base quarterly charge for water service to \$155.88, which is a \$6.58 per quarter increase from the \$149.30 base quarterly charge proposed in the original Application. Likewise, DIUC requests the Commission approve, in this second rehearing, an increase in the residential base quarterly charge for sewer service of \$226.37, which is a \$8.19 per quarter increase from the \$218.18 base quarterly charge proposed in the original Application.

Q. PLEASE EXPLAIN SECOND REHEARING DIRECT EXHIBIT DMH-3.

A. I have attached Second Rehearing Direct Exhibit DMH-3 to provide the Notice of Filing ("Notice") sent to each DIUC customer, a copy of the original Application filed with the Commission on June 9, 2015, and the Amended Schedule of proposed rates filed with the Commission on June 24, 2015. Both the Notice and Application inform the customers and interested parties that DIUC seeks Commission approval for a change in proposed

1 rates. The Company's Application states in the Overview and Justification "[t]he proposed
2 rates developed in this application are essential for the Daufuskie Island Utility Company
3 to continue to provide its customers with adequate water and wastewater service."
4 Likewise, the Statement of Proposed Rates, the Amended Statement of Proposed Rates and
5 the Notice (2nd Revised) published by the Commission's Clerk's Office reflect the
6 proposed rates the Company requested the Commission approve. The proposed rates in the
7 original Application and Notice are lower than DIUC witness Guastella requests in this
8 second rehearing.

9 **Q. PLEASE RESPOND TO DIUC'S CLAIM THAT IT IS ENTITLED TO A 108.9%**
10 **INCREASE IN REVENUE AS REQUESTED IN THE ORIGINAL APPLICATION**
11 **AND THAT THE COMPANY PROVIDED NOTICE OF THE 108.9% INCREASE**
12 **ITS CUSTOMERS.⁴**

13 **A.** ORS reviewed the original Application including the Amended Statement of
14 Proposed Rates, filed with the Commission, the Notice to customers and the Commission
15 Orders in this docket. The Company's Application requests specifically the Commission
16 approve certain proposed rates as specified in the Statement of Proposed Rates.⁵ The
17 Company does not request the Commission approve a specific total annual revenue
18 requirement, specific amount of additional annual revenue or a 108.9% increase in annual
19 revenue as characterized by DIUC witness Guastella in his second rehearing direct
20 testimony and Exhibit JFG-RR1.

⁴ Second Rehearing Direct Testimony John F. Guastella page 4 lines 12 and 13

⁵ The Company filed an Amended Statement of Proposed Rates on June 25, 2015 which was reflected in the Commission's Notice of Filing (2nd Revised).

1 Contained in DIUC's original Application is Schedule A-4 Consolidated Pro Forma
2 Operating Statement. Schedule A-4 summarizes DIUC's Application pro-forma revenue
3 calculations, which rely on the rates contained in the Statement of Proposed Rates. Based
4 on the Company's calculations in Schedule A-4, the Company calculated the additional
5 revenue resulting from the proposed rates the Company requested in its Application would
6 be \$1,182,301, the total annual revenues generated would be \$2,267,721 and the revenue
7 increase is 108.9%.

8 ORS performed its customary review of the Company's Application including a
9 verification of the information contained in Schedule W-E, Schedule W-F, Schedule S-E
10 and Schedule S-F. *See* Direct Testimony and Exhibits of Willie J. Morgan Exhibit WJM-
11 2. ORS's review indicated the Test Year Calculated Revenues total \$1,073,577 compared
12 to DIUC's Schedule A-4 amount of \$1,085,421.⁶ In addition, ORS's calculation of Test
13 Year Revenues using DIUC's Proposed Rates totals \$2,177,363, which was an increase of
14 \$1,103,786 or 102.81% increase.⁷ The differences in revenue were primarily due to
15 normalizing adjustments made by ORS to incorporate customer billing information
16 provided by DIUC. The Company accepted ORS's adjustments to Total Revenues, which
17 reflected a total annual revenue requirement at the Company's proposed rates of
18 \$2,177,363. *See* Rebuttal Testimony of John F. Guastella page 2 lines 1 through 6.

⁶ Direct Testimony and Exhibits of Willie J. Morgan Exhibit WJM-2 page 1

⁷ Direct Testimony and Exhibits of Willie J. Morgan Exhibit WJM-2 page 1

A review of the Commission Order in this docket indicates the following references to the proposed rates, amount of the additional revenue, total annual revenue requirement and percentage of increase:

1) Commission Order No. 2015-846

Page 1 – “[s]eeking approval of a new schedule of rates and charges” and
“...DIUC requested an increase in revenues for combined operations of
\$1,182,301”

Page 30 - “DIUC requested an increase in revenues for combined operations of
\$1,182,301...”

Page 31 – “The Settlement ROE of 9.28% produces additional operation
revenue of \$462,798...”

Page 32 – “...DIUC must be allowed additional revenues of \$462,798.”

2) Commission Order No. 2016-50

Page 4 – “The operating results and adjustments showing gross revenue and
expenses discussed by the Company are unadjusted numbers and are
inappropriate for determining a utility’s level of revenue and expenses for
ratemaking purposes without adjustment under Commission procedures. Thus,
it is unrealistic and contrary to regulatory principles for the Company to state
that its operating results and adjustments are the “actual” numbers, and must be
the only numbers used for ratemaking purposes...”

3) Commission Order No. 2016-156

Page 3 – “Daufuskie Island requests that the Commission approve a bond pursuant to S.C. Code Ann. Section 58-5-240(D) in the amount of \$700,000, pending any subsequent appeal. According to the utility, the \$700,000 figure represents the additional annual revenue which Daufuskie Island would be entitled to earn if the Commission had approved the Application in full. Daufuskie Island submits that, based upon the additional amount of revenues which would be generated had the Commission approved the requested increase, a surety bond in the amount proposed is sufficient.”

Page 5 – “Should the original rates proposed by the Company be deemed excessive by the Court, then refunds plus interest must be made to the Company’s customers in a manner consistent with the provisions of S.C. Code Ann. Section 58-5-240, and in a manner approved by this Commission.”

4) Commission Order No. 2018-68

Page 2 – “...seeking approval of a new schedule of rates and charges...”

“In the Application, DIUC requested to increase revenues for combined operations by \$1,182,301...”

Page 43 – “presently approved rates for the test year:

Total Operating Revenue	\$1,073,577”
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“...pro forma adjustments and rates approved in this Order:

Total Operating Revenue	\$2,023,743”
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Page 44 – “DIUC requested in its Application to increase revenues for combined operations by \$1,182,301...” “At the rehearing, DIUC reaffirmed

that it sought the Application's originally proposed revenue requirement of \$2,267,721."

Page 46 – "...DIUC must be allowed additional revenues of \$950,166."

Page 47 – "The Company shall design and file rates that produce the revenue increase granted in this Order. The Company shall also file a schedule with the Commission demonstrating that the rate design produces the revenue granted in this Order."

The rates originally proposed by DIUC in its original Application, as adjusted by ORS and accepted by DIUC, resulted in a total annual revenue increase of \$1,103,786, which was a 102.81% increase in total annual revenue. The rates requested by DIUC in its original Application and noticed to its customers result in a total annual revenue requirement of \$2,177,363.

Q. PLEASE SUMMARIZE THE TOTAL REVENUE INCREASE AUTHORIZED BY THE COMMISSION FOR DIUC IN THIS DOCKET.

A. Table 1 summarizes, and sources the annual revenue increases authorized by the Commission in this docket:

Table 1

Commission Order	Amount of Increase
2015-846	\$462,798
2018-68	\$950,166

Q. IF THE COMMISSION APPROVED AN INCREASE IN RATES TO THE MAXIMUM ALLOWED BY THE NOTICE TO THE CUSTOMERS, HOW MUCH

ADDITIONAL REVENUE WOULD DIUC BE AUTHORIZED TO BILL CUSTOMERS?

A. The maximum annual revenue increase resulting from the rates and charges noticed to the customers in this docket is \$1,103,786. The total revenue requirement at DIUC's proposed rates is \$2,177,363, as accepted by DIUC. Therefore, if the Commission were to approve an increase, as a result of this second rehearing, to reflect the rates and charged noticed to customers, the rates and charges contained in the Notice would provide DIUC with \$153,620 in additional revenue or a 7.055% increase.

Q. PLEASE SUMMARIZE ORS'S RECOMMENDATION FOR THE PROPOSED RATE DESIGN REQUESTED BY DIUC IN EXHIBIT JFG-RR7.

A. ORS recommends the Commission reject the rate design proposed by DIUC in this second rehearing. The rates proposed by DIUC exceed the rates and charges noticed to customers in the original Application. Customers have not received any notice of the second rehearing or the rates proposed by DIUC. Therefore, customers of DIUC are at a significant disadvantage as they are unaware the Commission may consider a proposal by the Company to increase rates over the rates contained in the Notice. In this case, the Notice did not contain the amount of additional revenue or total revenue requirement.

Effective Date for Proposed Rates of July 1, 2020

Q. WHAT DATE DOES DIUC REQUEST THE COMMISSION MAKE ANY NEW RATES EFFECTIVE?

A. The Company requests an effective date of July 1, 2020, for any new rates set by the Commission from this second rehearing. DIUC proposes to bill customers in October 2020 for service provided in July, August and September 2020.

Q. DOES ORS AGREE THAT AN EFFECTIVE DATE OF JULY 1, 2020 IS REASONABLE?

A. No. Notwithstanding the fact the rates requested by the Company exceed the Notice provided to the customers, ORS recommends, if the Commission approves any change in rates and charges, the effective date for new rates and charges coincide with the date of the Commission's order approving the rate change.

Recovery of Lost Revenue, Earnings, Equity and Refunds in the Form of Surcharges

Q. PLEASE SUMMARIZE DIUC'S REQUESTS TO APPLY TWO SURCHARGES TO CUSTOMERS BILLS FOR REMEDIATION, REPARATIONS AND RESTITUTION.

A. The Company asserts that the unique circumstances of this rate case require the reconciliation of rates and charges to make "restitution" and to restore the utility to a better financial position.⁸ The Company claims it is entitled to recoup lost revenue in the amount of \$663,497 through a surcharge on customer's bills. In addition, the Company claims it is entitled recover and remediate the refund provided to customer's per Commission Order No. 2018-68 plus 9.31% equity return compounded for 2.75 years with interest for a total of \$297,049 through a surcharge on customer's bills.

⁸ Second Rehearing Direct Testimony of John F. Guastella page 16 lines 12 through 22

Q. PLEASE RESPOND TO THE COMPANY’S ASSERTION THAT IT IS ENTITLED TO RECOVER LOST REVENUE, EARNINGS, EQUITY AND REFUNDS FROM ITS CUSTOMERS IN THE MANNER DESCRIBED BY DIUC WITNESS GUASTELLA.

A. DIUC witness Guastella’s second rehearing testimony contains legal opinions about the sufficiency of rates, constitutional requirements and the statutory duties of the Commission. I do not respond to his legal opinions as I am not a lawyer. However, I do address the consequences of DIUC’s assertions and the impact on customers.

The customers paid DIUC for water and sewer services at rates set by the Commission. To ask customers now to “make up the difference” between the Commission approved rates and charges and the Company’s claim to lost revenue, earnings, equity and revenue associated with a customer refund ordered by the Commission under S.C. Code Ann. § 58-5-240 (D) requires the Commission to disregard the rates previously set by order and penalize the customer.

The Company made a management decision to appeal Order Nos. 2018-68 and 2018-346. S.C. Code Ann. § 58-5-240 (D) provided the Company with an opportunity to charge the proposed rates under bond and, thereby, protect the Company’s financial position while the appeal process is pending. The Company availed itself of this statutory provision in the first appeal under this docket. DIUC had the opportunity, but chose not to exercise its statutory right, to place rates under bond to protect its financial interests during the second appeal.

The Company states “[t]he soonest DIUC will be able to apply for another rate increase is in 2021...”⁹ This statement demonstrates a clear lack of understanding of S.C. Code Ann. § 58-5-240 (F), which allows a utility to file a request for rate change after twelve months have elapsed since the date of filing of the previous schedule. Notwithstanding the two appeals to the South Carolina Supreme Court, DIUC had multiple opportunities to change its rates and charges since its original Application filed on June 9, 2015. The customers should not pay any surcharges for restitution, remediation or reparations when the Company had opportunities to protect its financial interests and failed to take those opportunities.

Q. DOES THE COMMISSION HAVE THE STATUORY AUTHORITY TO AWARD DAMAGES TO EITHER A UTILITY OR A UTILITY CUSTOMER?

A. No. The Commission does not have statutory authority to award damages to either the utility or the utility customer. DIUC’s request for reparations, restitution and remediation is akin to requesting the Commission to order the customers of the utility to pay for damages. In Docket No. 2018-364-WS, currently under appeal to the South Carolina Court of Appeals, DIUC itself took the position that the Commission lacks the statutory authority to award damages to customers of DIUC. The Commission affirmed that it lacks the statutory authority to award damages in Order Nos. 2019-424 and 2019-523.

⁹ Second Rehearing Direct Testimony John F. Guastella page18 lines 13 and 14

Q. IS DIUC REQUIRED TO COMPLY WITH ANY ORDER OF THE COMMISSION IN DOCKET NO. 2017-381-A AND CONFORM ITS TAXES GOING FORWARD TO THE APPROPRIATE FEDERAL TAX RATE?

A. Yes. Order No. 2018-68 requires DIUC to comply with Order No. 2018-308 which requires utilities to track and defer the effects resulting from the 2017 Tax Cuts and Jobs Act (“TCJA”) in a regulatory liability account to be addressed in the next general rate case or other proceeding. In this second rehearing, ORS recommends the Company be required to return the regulatory liability attributed to excess federal corporate income tax expense imbedded in the rates charged by DIUC to customers since January 1, 2018. ORS estimates the value of the regulatory liability will be almost \$220,000 as of the date of second rehearing. The Commission, by approving the return of these funds to utility customers, albeit without interest, recognizes that DIUC should not be the recipient of a windfall at the expense of its customers.

Q. CAN ORS VERIFY THE CALCULATIONS OF THE SURCHARGES PROPOSED BY DIUC IN EXHIBIT JFG-RR1 AND EXHIBIT JFG-RR3 ARE ACCURATE?

A. No. ORS was not able to verify the calculations of the surcharges proposed by DIUC. The Company provides no calculation support in the second rehearing direct testimony for the \$297,049 surcharge, which is described as a reparation for the credit made to customers on the January 1, 2018 billing. In addition, DIUC advocates for the use of the return on equity of 9.31% compounded for three years for a total of 27.74%.

The Company computes the revenue shortfall and equity on the revenue shortfall using a weighted average rate of “billings” and calculating the total revenue requirement

as a percentage (88.5% and 108.9%). The dollar amount of the reparations requested in Exhibit JFG-RR3 and JFG-RR4 do not tie together and the average rate of billings and percent totals of the revenue requirement do not accurately reflect the previous Commission orders in this docket. There is no reasonable basis to subject customers to any surcharges and the Company's calculations cannot be verified and ORS does not recommend the Commission authorize any surcharge be levied on the customers of DIUC for reparations, remediation or restitution.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources become available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Nanette S. Edwards, *Executive Director*



ANDREW M. BATEMAN
General Counsel for ORS

Office of Regulatory Staff
1401 Main Street
Suite 900
Columbia, SC 29201
(803) 737-0800
ORS.SC.GOV

June 29, 2020

VIA ELECTRONIC MAIL

Thomas P. Gressette, Jr., Esquire
Walker Gressette Freeman & Linton, LLC
Post Office Box 22167
Charleston, South Carolina 29413

RE: Application of Daufuskie Island Utility Company, Incorporated for Approval of an Increase for Water and Sewer Rates, Terms and Conditions—Second Rehearing

Dear Mr. Gressette:

On June 16, 2020, Daufuskie Island Utility Company (“DIUC”) filed the testimony of John F. Guastella in the above captioned matter. In Mr. Guastella’s testimony, he asserts that DIUC is entitled to recover rate case expenses of \$269,356 for Guestalla Associates fees incurred through September 30, 2017. The South Carolina Office of Regulatory Staff (“ORS”) seeks to fairly and objectively evaluate these expenses. To that end, ORS hereby serves upon DIUC the enclosed discovery request (“Discovery Request”). ORS reserves its right to utilize responses provided by DIUC as evidence at the hearing. Every page produced to ORS that contains confidential information, the page must be marked “CONFIDENTIAL” in the header.

Please do not hesitate to reach out should you have any questions.

Sincerely,

/s/Andrew M. Bateman

Andrew M. Bateman

cc: Jeff Nelson, Esquire
Trenholm Walker, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Incorporated for Approval of An Increase for Water and Sewer Rates, Terms and Conditions-Second Remand))))) <hr/>	SOUTH CAROLINA OFFICE OF REGULATORY STAFF’S FIRST CONTINUING REQUEST FOR PRODUCTION OF THE SECOND REMAND
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TO: TOM GRESSETTE, ESQUIRE, ATTORNEY FOR DAUFUSKIE ISLAND UTILITY COMPANY, INC. (“DIUC” OR THE “COMPANY”)

The South Carolina Office of Regulatory Staff (“ORS”) hereby requests, pursuant to S.C. Code Ann. § 58-4-55 (Supp. 2019), 58-5-230, S.C. Code Regs., 103-517, and 103-719 that DIUC provide responses in writing and electronically where required and under oath and serve the undersigned as soon as possible but not later than July 10th, 2020, to ORS at 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. If you are unable to respond to any of the audit requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these audit requests, “identify” means, when asked to identify a person, to provide the full name, business title, address and telephone number. As used in these audit requests, “address” means mailing address and business address. When asked to identify or provide a document, “identify” and “provide” mean to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word “document” is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and

includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings.

Wherever in this audit request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

ORS reserves its right to utilize the responses to this information request as evidence at the hearing.

IT IS THEREFORE REQUESTED:

- I. That all information shall be provided to ORS in the format requested.
- II. That all responses to the audit requests below be labeled using the same numbers as used herein.
- III. That the requested information be bound in 3-ring binders with numbered tabs between each question.
- IV. That if information requested is found in other places or other exhibits, reference shall not be made to those; instead, that the information be reproduced and placed in the audit response in the appropriate numerical sequence.
- V. That any inquiries or communications relating to questions concerning clarification of the information requested below should be directed to Jeff Nelson, Esquire [803-737-0823] or Andrew Bateman, Esquire [803.737.8440] of ORS.
- VI. That this entire list of questions be reproduced and included in front of each set of responses.
- VII. That each question be reproduced and placed in front of the response provided.
- VIII. That unless otherwise specified, the Company provide one (1) electronic version of the responses to ORS.
- IX. That all exhibits be reduced or expanded to 8 ½" x 11" format, where practical.
- X. If the response to any audit request is that the information requested is not currently available, please state when the information requested will be available and provided to ORS. This statement is not a waiver of the deadline for all other responses.

- XI. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) or agent(s) responsible for the information contained in each response be indicated.
- XII. This request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.
- XIII. For information requested herein where the information is kept, maintained, or stored using spreadsheets, please provide electronic versions of the spreadsheets, including the formulas used and embedded in the spreadsheet.
- XIV. For every page produced to ORS that contains confidential information, the page be marked "CONFIDENTIAL" in the header.

REQUESTS:

- 1-1 Please provide all documents that support Rate Case Expenses of \$269,356 as identified in the Second Rehearing Direct Testimony of John F. Guastella (p. 17, l. 6) including, but not limited to, the calculation, reconciliation and vendor invoices.
- (a) Please provide all documentation to demonstrate the invoices that are included in the amount of \$269,356 have been paid by DIUC.

/s/Andrew M. Bateman
Jeff Nelson, Esquire
Andrew M. Bateman, Esquire
South Carolina Office of Regulatory Staff
1401 Main St., Ste. 900
Columbia, SC 29201
Phone: (803) 737-8440
(803) 737-0794
(803) 737-5252
Email: jnelson@ors.sc.gov
abateman@ors.sc.gov

June 29, 2020

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Comparison of Rates and Charges

Second Rehearing Direct Exhibit DMH-2
Page 1 of 1

	A	B	C	D	E	F	G	H
	Service Type	Service Area	Type of Charge	As proposed in Application and Noticed to Customers	Charge from 04/01/2016 to 09/30/2017 per 2016-156	Charge from 10/01/2017 to 12/31/2017 (filed 02/08/2018)	Charge from 01/01/2018 to Present per 2018-68	Charge proposed in 2nd Remand DIUC Testimony Exhibit JFG-RR7
1	Residential - Water Service	Haig Point and Melrose	Base Quarterly Charge	\$149.30	\$149.30	\$140.09	\$139.30	\$155.88
2			Usage Charge (per kgal) - 0 to 22,500 gallons	\$4.41	\$4.41	\$4.01	\$4.03	\$4.47
3			Usage Charge (per kgal) - Over 22,500 gallons	\$4.41	\$4.41	\$4.01	\$4.03	\$4.47
4								
5	Residential and Commercial - Irrigation Water Service	Haig Point and Melrose	Usage Charge (per kgal) - 0 to 18,000 gallons	\$4.85	\$4.85	\$4.41	\$4.43	\$4.91
6			Usage Charge (per kgal) - 18,001 to 60,000 gallons	\$5.73	\$5.73	\$5.21	\$5.23	\$5.80
7			Usage Charge (per kgal) - Over 60,000 gallons	\$6.61	\$6.61	\$6.02	\$6.04	\$6.69
8								
9	Commercial - Water Service	Haig Point and Melrose	Base Quarterly Charge	\$209.01	\$209.01	\$196.12	\$194.99	\$218.23
10			Usage Charge (per kgal) - 0 to 22,500 gallons	\$4.41	\$4.41	\$4.01	\$4.03	\$4.47
11			Usage Charge (per kgal) - Over 22,500 gallons	\$4.41	\$4.41	\$4.01	\$4.03	\$4.47
12								
13	Residential - Sewer Service	Haig Point and Melrose	Base Quarterly Charge	\$218.18	\$218.18	\$201.65	\$199.32	\$226.37
14			Usage Charge (per kgal) - 0 to 22,500 gallons	\$2.38	\$2.38	\$2.14	\$2.13	\$2.41
15			Usage Charge (per kgal) - Over 22,500 gallons	\$2.38	\$2.38	\$2.14	\$2.13	\$2.41
16								
17	Commercial - Sewer Service	Haig Point and Melrose	Base Quarterly Charge	\$305.45	\$305.45	\$282.31	\$279.00	\$316.91
18			Usage Charge (per kgal) - 0 to 22,500 gallons	\$2.38	\$2.38	\$2.14	\$2.13	\$2.41
19			Usage Charge (per kgal) - Over 22,500 gallons	\$2.38	\$2.38	\$2.14	\$2.13	\$2.41
20								
21	Availability Charge - Water Service	Haig Point, Melrose and Bloody Point		\$112.23	\$107.49	\$100.86	\$100.54	\$112.23
22	Availability Charge - Sewer Service	Haig Point, Melrose and Bloody Point		\$146.01	\$140.73	\$130.07	\$128.56	\$146.01

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

CLERK'S OFFICE

NOTICE OF FILING AND HEARING AND PREFILE TESTIMONY DEADLINES (2nd Revised)

DOCKET NO. 2014-346-WS

Application of Daufuskie Island Utility Company, Inc. for Approval of an Adjustment for Water and Sewer Rates, Terms and Conditions

Daufuskie Island Utility Company, Inc. (Daufuskie or the Company) filed an Application for Approval of an Adjustment in Rates and Charges for Water and Sewer Services with the Public Service Commission of South Carolina (the Commission). The Application was filed in accordance with S.C. Code Ann. §§58-5-210 et seq. and 10 S. C. Code Ann. Regs. 103-512.4, 103-712.4, and 103-823.

As justification for the Company's request to adjust its rates, Daufuskie states that the current rates do not enable the Company to cover its cost of providing service and earn a fair return on its investment, and the Company has not applied for rate relief since 2012 and has not established unified rates under its current consolidated status. Daufuskie states that the proposed rates in its Application are essential for the Company to continue to provide its customers with adequate water and wastewater service. Further, the proposed rates would establish uniform rates for all of the Company's customers, including Haig Point and Melrose service area customers.

The complete rate schedule and the current rates of Haig Point Utility Company, Inc. and Melrose Utility Company are included in the Company's Application, and the Application can be viewed on the Commission's website at www.psc.sc.gov.

THE PROPOSED NEW RATES AND CHARGES ARE SET FORTH BELOW:

	<u>RESIDENTIAL RATES</u>	
<u>WATER</u>		<u>Proposed Rates</u>
Tapping Fees & ¾" Meter Box		\$500.00
Base Quarterly Charge		\$149.30
Consumption Charge (per 1,000 Gallons)	0 to 22,500 Gallons per Quarter	\$4.41
	Over 22, 500 Gallons	\$4.41
<u>SEWER</u>		<u>Proposed Rates</u>
Tapping Fees & Service Lateral		\$500.00
Base Quarterly Charge		\$218.18
Volumetric Charge (per 1,000 Gallons)	0 to 22,500 Gallons per Quarter	\$2.38
	Over 22,500 Gallons	\$2.38
<u>IRRIGATION</u>		<u>Proposed Rates</u>
Tapping Fees & ¾" Meter Box		\$500.00
Consumption Charge (per 1,000 Gallons)	0 to 18,000 Gallons per Quarter	\$4.85
	18,001 to 60,000 Gallons	\$5.73
	Over 60,000 Gallons	\$6.61
	<u>COMMERCIAL RATES</u>	
<u>WATER</u>		<u>Proposed Rates</u>
Tapping Fees per Hotel or Inn Room		\$250.00
Tapping Fees up to 1-1/2" Meter		\$500.00
Tapping Fees 2" or 3" Meter		\$1,500.00
Tapping Fees for 6" Meter		\$3,500.00

Note: Larger Meters on a Case by Case Basis		
Base Quarterly Charge		\$209.01
Consumption Charge (per 1,000 Gallons)	0 to 22,500 Gallons per Quarter	\$4.41
	Over 22,500 Gallons	\$4.41
<u>SEWER</u>		<u>Proposed Rates</u>
Tapping Fees per Hotel or Inn Room		\$250.00
Tapping Fees 4" – 8" Sewer Pipe		\$500.00
Base Quarterly Charge		\$305.45
Volumetric Charge (per 1,000 Gallons)	0 to 22,500 Gallons per Quarter	\$2.38
	Over 22,500 Gallons	\$2.38
<u>IRRIGATION</u>		<u>Proposed Rates</u>
Tapping Fees & ¾" Meter Box		\$500.00
Consumption Charge (per 1,000 Gallons)	0 to 18,000 Gallons per Quarter	\$4.85
	18,001 to 60,000 Gallons	\$5.73
	Over 60,000 Gallons	\$6.61
	<u>AVAILABILITY RATES (QUARTERLY)</u>	
<u>WATER</u>		\$107.49
<u>SEWER</u>		\$140.73

A copy of the company's complete application, as well as the proposed rates, charges and tariffs can be found on the Commission's website at www.psc.sc.gov under Docket No. 2014-346-WS. Additionally, a copy of the application is available from the office of G. Trenholm Walker, Esquire, Pratt-Thomas Walker, 16 Charlotte Street, Charleston, South Carolina 29403.

PLEASE TAKE NOTICE that a hearing, pursuant to 10 S.C. Code Ann. Regs. 103-817 and S. C. Code Ann. §58-5-240, on the above matter has been scheduled to begin on **Wednesday, October 28, 2015, at 10:30 a.m.**, before the Commission in the Commission's Hearing Room at 101 Executive Center Drive, Saluda Building, Columbia, South Carolina 29210 for the purpose of receiving testimony and evidence from all interested parties. The hearing may continue through October 29, 2015, if necessary.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **July 27, 2015**. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. ***Please refer to Docket No. 2014-346-WS and mail a copy to all other parties in this docket.*** Any person who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and the company at the above address, on or before **July 27, 2015**. ***Please refer to Docket No. 2014-346-WS.***

INSTRUCTIONS TO ALL PARTIES OF RECORD (Applicant, Petitioners, and Intervenors only):

All Parties of Record must prefile testimony with the Commission and with all Parties of Record. Prefiled Testimony Deadlines: Applicant's **Direct Testimony** Due: **9/1/2015**; Other Parties of Record **Direct Testimony** Due: **9/15/2015**; Applicant's **Rebuttal Testimony** Due: **9/22/2015**; and Other Parties of Record **Surrebuttal Testimony** Due: **9/29/2015**. All prefiled testimony deadlines are subject to the information as posted on www.psc.sc.gov under **Docket No. 2014-346-WS**.

Any person who wishes to request that the Commission hold a public hearing in his or her county of residence in order to hear comments from the utility's customers, should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and the company at the above address, on or before **August 7, 2015**. ***Please refer to Docket No. 2014-346-WS.***

For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to www.psc.sc.gov and *Docket No. 2014-346-WS*.

PLEASE TAKE NOTICE that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at www.psc.sc.gov.

6/25/15

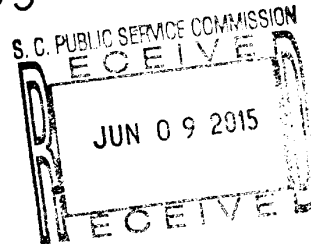
256988

PRATT-THOMAS | WALKER
ATTORNEYS AT LAW
PROFESSIONAL ASSOCIATION

16 CHARLOTTE STREET
CHARLESTON, SC 29403
PO DRAWER 22247
CHARLESTON, SC 29413-2247

PHONE: 843.727.2200
FAX: 843.727.2238
WWW.P-TW.COM

2014-346 w/s



E-MAIL: gtw@p-tw.com
DIRECT DIAL: 843.727.2208
FAX: 843.722.2231

June 5, 2015

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

Re: Daufuskie Island Utility Company, Inc.
Our File No.: 7640.001

Dear Ms. Boyd:

This firm represents Daufuskie Island Company Utility, Inc. Please find enclosed the original and two copies of the Rate Application of DICU seeking an adjustment of the rates for its water and sewer services in accordance with S.C. Reg. §§103-512.4 and 103-712.4.

We look forward to working with the PSC and ORS in this proceeding. With kind regards, I am,

Sincerely,

PRATT-THOMAS WALKER, P.A.

G. Trenholm Walker

Enclosures (As Stated)
GTWnjd

c: C. Dukes Scott, Esq.
Jeffrey M. Nelson, Esq.
Courtney Edwards, Esq.
John F. Guastella

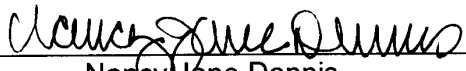
BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO.: 2015-_____ - WS

IN RE: Application of Daufuskie Island)
Utility Company, Inc. for adjustment of) CERTIFICATE OF SERVICE
rates and charges for water and)
sewer services)

This is to certify that I, Nancy Jane Dennis, on June 5, 2015, caused to be served upon the person(s) named below a copy of the Application of Daufuskie Island Utility Company, Inc. with Exhibits, in regards to the above matter on the person(s) named below, by U.S. Mail to the following address:

C. Dukes Scott, Esq.
Jeffrey M. Nelson, Esq.
Courtney Edwards, Esq.
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201

Charleston, South Carolina


Nancy Jane Dennis

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO.: _____-WS

APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY, INC.
FOR APPROVAL OF AN ADJUSTMENT IN RATES AND CHARGES
FOR WATER AND SEWER SERVICES

In accordance with S.C. Code Sections 58-5-210 et seq., R. 103-514.4, R. 103-712.4, and R. 103-834, the Applicant, Daufuskie Island Utility Company, Inc., requests adjustment of its rates and charges for water and sewer services, and submits the following information and Exhibits in support of its Application.

June 5, 2015

TABLE OF CONTENTS

1	Overview and Justification
2	Statement of Proposed Rates
3	Current Form of Customer Billing
4	Copy of Performance Bonds
5	Latest Evaluation by S.C. DHEC
6	Required Regulatory Financial Statements and Other Analyses
7	Operating Area Maps

OVERVIEW AND JUSTIFICATION

The Daufuskie Island Utility Company, Inc. ("DIUC" or "Company") formerly known as the Haig Point Utility Company, Inc. was established to provide water and sewer utility service to the 1,050 acre planned development with 750 single family homes and club, known as Haig Point, and the Cedar Cove Subdivision consisting of 18 single family residential lots, located on Daufuskie Island in Beaufort County, South Carolina.

In March of 2010, DIUC acquired the Melrose Utility Company ("MUC") also located on Daufuskie Island in Beaufort County, South Carolina. MUC was established to provide water and sewer service to the planned developments known as Melrose and Bloody Point consisting of approximately 580 residential lots and 60 commercial lots.

This application for approval of new rates and charges is based on the historical test year ended December 31, 2014. The test year is representative of the Company's consolidated Haig Point and Melrose normal utilities operation which is currently producing insufficient annual income. The pro forma rate period is based on the projected operations for the twelve months ending December 31, 2015 adjusted for known and measureable changes.

This application is necessary because the current rates do not enable the Company to cover its cost of providing service and earn a fair return on its investment. The Company has not applied for rate relief since 2010 and has not yet established unified rates under its current consolidated status. The test year revenues, under current rates, produced net operating losses of \$21,174 for the water operations or a negative .65% return on its investment. The sewer operations experienced net operating income of \$59,890 or a 1.59% return on its investment. As this application demonstrates, the pro forma rate year under the current rates, would produce even less income and result in a negative 5.27% return for water and a negative 2.81% return for sewer. The proposed rates developed in this application are essential for the Daufuskie Island Utility Company to continue to provide its customers with adequate water and wastewater service.

The proposed rate design would eliminate the current water and sewer usage allowances that currently exist under the Melrose tariff and apply volumetric rates to all water and sewer usage by all customers, as it currently applies under the DIUC tariff. The proposed irrigation rates would also apply inclining block rates, as it currently applies under the DIUC tariff, to all irrigation customers. The tiered rate structure is designed to promote water conservation. The proposed rates would establish uniform rates for all of the DIUC customers. The proposed rates result in very similar increases of the annual water and sewer charges for both the Haig Point and Melrose service area customers.

Statement of Proposed Rates

				Haig Pt.	Melrose	DIUC
				Present	Present	Proposed
				Rates	Rates	Rates
I. <u>Residential Rates</u>						
A. <u>Water:</u>						
1)	Tapping Fees & 3/4" Meter Box			\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge			\$62.09	\$80.72	\$149.30
3)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter		\$2.76	\$0.00	\$4.41
		Over 22,500 gallons		\$2.76	\$2.44	\$4.41
B. <u>Sewer:</u>						
1)	Tapping Fees & Service Lateral			\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge			\$110.38	\$80.72	\$218.18
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter		\$1.32	\$0.00	\$2.38
		Over 22,500 gallons		\$1.32	\$1.95	\$2.38
C. <u>Irrigation:</u>						
1)	Tapping Fees & 3/4" Meter Box			\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter		\$2.76	\$1.66	\$4.85
		18,001 to 60,000 gallons		\$3.09	\$1.66	\$5.73
		Over 60,000 gallons		\$3.50	\$1.66	\$6.61
II. <u>Commercial Rates</u>						
A. <u>Water:</u>						
1)	Tapping Fees per Hotel or Inn Room			\$250.00	\$250.00	\$250.00
2)	Tapping Fees up to 1-1/2" Meter			\$500.00	\$500.00	\$500.00
3)	Tapping Fees 2" or 3" Meter			\$1,500.00	\$1,500.00	\$1,500.00
4)	Tapping Fees for 6" Meter			\$3,500.00	\$3,500.00	\$3,500.00
	Note: Larger meters on a case by case basis.					
5)	Base Quarterly Charge			\$86.93	\$136.60	\$209.01
6)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter		\$2.76	\$0.00	\$4.41
		Over 22,500 gallons		\$2.76	\$1.95	\$4.41
B. <u>Sewer:</u>						
1)	Tapping Fees per Hotel or Inn Room			\$250.00	\$250.00	\$250.00
2)	Tapping Fees 4" - 8" Sewer Pipe			\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge			\$178.21	\$136.60	\$305.45
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter		\$1.32	\$0.00	\$2.38
		Over 22,500 gallons		\$1.32	\$1.95	\$2.38
C. <u>Irrigation:</u>						
1)	Tapping Fees & 3/4" Meter Box			\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter		\$2.76	\$1.66	\$4.85
		18,001 to 60,000 gallons		\$3.09	\$1.66	\$5.73
		Over 60,000 gallons		\$3.50	\$1.66	\$6.61

Daufuskie Island Utility Co.
c/o Guastella Associates
6 Beacon St, STE 200
Boston, MA 02108
888-635-7878

JOHN DOE
123 STREET
DAUFUSKIE ISLAND, SC 29915-

Account # SAMPLE
Billing Date 07/01/14
Due Date 07/31/14
Amount Due 1094.50

Detach and Submit with Payment

Service ID#	From Date	Thru Date	Days	Service Address
SAMPLE	04/01/14	07/01/14	91	123 A STREET
Charge Description	Previous Reading	Present Reading	Total Consumption	Charge
WATER - D	8000	8000	0	62.09
SEWER - D				110.38
IRRIG - D	12000	12000	0	0.00
AVAIL - WT				76.38
AVAIL - SW				85.08
				333.93

DEAR CUSTOMER: TO ENSURE PROPER DELIVERY
PLEASE UPDATE OUR MAILING ADDRESS AS SHOWN IN
THE TOP LEFT CORNER IN ALL OF YOU BILL PAY
ACCOUNTS. PLEASE CONTACT US WITH ANY QUESTIONS
AT ADMIN@DIUTILITY.COM OR THE TELEPHONE NUMBER
LISTED ABOVE.

TOTAL PREVIOUS BALANCE 760.57
CURRENT CHARGES 333.93

IF PAID BY 07/31/14 1094.50

IF PAID AFTER 07/31/14 1110.68

This invoice represents an "Availability Fee" that charges customers for the "availability" to tap-in water and sewer lines on Daufuskie Island, South Carolina. This fee was defined and identified in the contract and disclosure documents you received when you purchased your Daufuskie Island property.

Water charges include a base charge of \$62.09 (residential) and \$86.93 (commercial). Sewer charges include a base charge of \$110.38 (residential) and \$178.21 (commercial).

For questions regarding billing, call 888-635-7878. For emergencies regarding your utilities, call 843-686-9249 (business hours) or 843-247-3135 (after hours).

Daufuskie Island Utility is under the jurisdiction of the South Carolina Public Service Commission ("PSC"). Charges are based on a rate schedule filed and approved by the PSC and available for your inspection upon request. If you are not satisfied with the Utility's response to an inquiry you can contact the Office of Regulatory Staff's Consumer Services Division at 803-737-5231 or within S.C. at 800-922-1531.

If a previous payment was received after the invoice date ("bill date") show on this bill, the payment is not reflected on this invoice. However, the payment is reflected in our billing system and you should disregard the previous balance displayed. In addition, a Late Payment Charge of 1 1/2% will be added to any unpaid balance not paid before the Late Date shown.

Sterling Risk Advisors Inc.

P O Box 724137
Atlanta, GA 31139

Daufuskie Island Utility Company, Inc.
9688 Speedway Blvd.
Hardeeville, SC 29227

INVOICE

Customer	Terry R. Lee Contracting Company, Inc. 19748
Date	03/22/2015
Customer Service	Danny Sellers Debra Johnson
Page	1 of 1

Payment Information	
Invoice Summary	5,250.00
Payment Amount	
Payment for:	Invoice#313291
BMA 1942391	

Thank You

Please detach and return with payment

Customer: Terry R. Lee Contracting Company, Inc.

Invoice	Effective	Transaction	Description	Amount
313291	02/14/2015	Renew policy	Policy #BMA 1942391 02/14/2015-02/14/2016 Hanover Insurance Company Renewal - SC Sewer Utilities Operation Bond Bond Amount \$350,000.00 Due Date: 4/1/2015	5,250.00
				Total
				5,250.00

Thank You

Sterling Risk Advisors Inc. P O Box 724137 Atlanta, GA 31139	(678)424-6500	Date
		03/22/2015

PERFORMANCE BOND

Bond No: 1942391

FINANCIAL STATEMENT

(SEWER UTILITIES)

KNOW ALL MEN BY THESE PRESENTS, that Daufuskie Island Utility Company, Inc.

being duly qualified to do business in the State of South Carolina, designated as "principal", and that
The Hanover Insurance Company, **designated as "surety"/"sureties" is/are held and firmly**
bound unto the Public Service Commission of South Carolina, designated as "obligee", in the penal
sum of \$ 350,000.00 **, for the payment of which well and truly to be made, the principal binds itself,**
its successors and assigns, and the surety/sureties bind themselves, their personal representatives, and
their assigns, jointly and severally, firmly by these presents.

WHEREAS, in accordance with the provisions of S. C. Code Ann., §58-5-720 (1976, as
amended), which requires the principal to furnish a bond with sufficient surety, to the satisfaction of
the obligee, conditioned as provided in said §58-5-720, and

WHEREAS, the obligee has granted the principal a Certificate of Public Convenience and
Necessity and approved a schedule of rates for sewer service in areas shown on operating maps filed
with the obligee, and

WHEREAS, this bond, when approved by the obligee, conditioned as in said §58-5-720, is to
cover any and all liability which may arise as a result of the principal failing to provide adequate and
sufficient service within its service area as prescribed in §58-5-720, and

FINANCIAL STATEMENT
Sewer Utilities
Page 2

WHEREAS, the obligee, upon notice and hearing, shall have the right to declare all or any part of the bond forfeited upon a determination by the obligee that the principal shall have willfully failed to provide such service as prescribed above, without just cause or excuse, and that such failure has continued for an unreasonable length of time, and

WHEREAS, the liability under the terms of this bond is hereby extended so as to include any fines or penalties imposed or assessed by the obligee against the principal under the provisions of S.C. Code Ann. §58-5-710 (1976 as amended), and

WHEREAS, in the event that any judicial action or proceedings are initiated with respect to this bond, the parties hereby agree that the venue thereof shall be Richland County, State of South Carolina, and

WHEREAS, the surety/sureties, as stockholders of the principal, undertake this obligation for and in consideration of the principal being able to continue to operate a sewer utility providing service to the public for compensation under the jurisdiction of the obligee, and

WHEREAS, the surety/sureties, as shall file with this bond a Financial Statement showing personal assets, liabilities, and net worth; and shall file annually with the obligee a revised Financial Statement as long as the bond continues in effect, and

WHEREAS, this bond shall become effective on the date executed by the principal and surety/sureties, and shall continue from year to year unless the obligations of the principal and surety/sureties under this bond are expressly released by the obligee in writing, and

THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

POWERS OF ATTORNEY
CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That THE HANOVER INSURANCE COMPANY and MASSACHUSETTS BAY INSURANCE COMPANY, both being corporations organized and existing under the laws of the State of New Hampshire, and CITIZENS INSURANCE COMPANY OF AMERICA, a corporation organized and existing under the laws of the State of Michigan, do hereby constitute and appoint:
S Danny Sellers, Joyce M Connor, and/or Richmond Lanier Mitchell

of Duluth, GA and each is a true and lawful Attorney(s)-in-fact to sign, execute, seal, acknowledge and deliver for, and on its behalf, and as its act and deed any place within the United States, or, if the following line be filled in, only within the area therein designated

any and all bonds, recognizances, undertakings, contracts of indemnity or other writings obligatory in the nature thereof, as follows:
Any such obligations in the United States, not to exceed Ten Million and No/100 (\$10,000,000.00) in any single instance

and said companies hereby ratify and confirm all and whatsoever said Attorney(s)-in-fact may lawfully do in the premises by virtue of these presents. These appointments are made under and by authority of the following Resolution passed by the Board of Directors of said Companies which resolutions are still in effect:

"RESOLVED, That the President or any Vice President, in conjunction with any Assistant Vice President, be and they are hereby authorized and empowered to appoint Attorneys-in-fact of the Company, in its name and as its acts, to execute and acknowledge for and on its behalf as Surety any and all bonds, recognizances, contracts of indemnity, waivers of citation and all other writings obligatory in the nature thereof, with power to attach thereto the seal of the Company. Any such writings so executed by such Attorneys-in-fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company in their own proper persons." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 - Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

IN WITNESS WHEREOF, THE HANOVER INSURANCE COMPANY, MASSACHUSETTS BAY INSURANCE COMPANY and CITIZENS INSURANCE COMPANY OF AMERICA have caused these presents to be sealed with their respective corporate seals, duly attested by a Vice President and an Assistant Vice President, this 14th day of June, 2010.



THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

Mary Jeanne Anderson
Mary Jeanne Anderson, Vice President

Robert K. Grennen
Robert K. Grennen, Assistant Vice President

THE COMMONWEALTH OF MASSACHUSETTS)
COUNTY OF WORCESTER) ss.

On this 13th day of June, 2010., before me came the above named Vice President and Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, to me personally known to be the individuals and officers described herein, and acknowledged that the seals affixed to the preceding instrument are the corporate seals of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, respectively, and that the said corporate seals and their signatures as officers were duly affixed and subscribed to said instrument by the authority and direction of said Corporations.



Barbara A. Garlick
Notary Public

My commission expires on November 3, 2011

I, the undersigned Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, hereby certify that the above and foregoing is a full, true and correct copy of the Original Power of Attorney issued by said Companies, and do hereby further certify that the said Powers of Attorney are still in force and effect.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America.

"RESOLVED, That any and all Powers of Attorney and Certified Copies of such Powers of Attorney and certification in respect thereto, granted and executed by the President or any Vice President in conjunction with any Assistant Vice President of the Company, shall be binding on the Company to the same extent as if all signatures therein were manually affixed, even though one or more of any such signatures thereon may be facsimile." (Adopted October 7, 1981 - The Hanover Insurance Company; Adopted April 14, 1982 Massachusetts Bay Insurance Company; Adopted September 7, 2001 - Citizens Insurance Company of America)

GIVEN under my hand and the seals of said Companies, at Worcester, Massachusetts, this _____ day of _____, 20__

THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

Stephen L. Brault
Stephen L. Brault, Assistant Vice President

Sterling Risk Advisors Inc.

P O Box 724137
Atlanta, GA 31139

Daufuskie Island Utility Company, Inc.
9688 Speedway Blvd.
Hardeeville, SC 29227

INVOICE

Customer	Terry R. Lee Contracting Company, Inc. 19748
Date	03/22/2015
Customer Service	Danny Sellers Debra Johnson
Page	1 of 1

Payment Information	
Invoice Summary	5,250.00
Payment Amount	
Payment for:	Invoice#313292
BMA 1942392	

Thank You

Please detach and return with payment

Customer: Terry R. Lee Contracting Company, Inc.

Invoice	Effective	Transaction	Description	Amount
313292	02/14/2015	Renew policy	Policy #BMA 1942392 02/14/2015-02/14/2016 Hanover Insurance Company Renewal - SC Water Utilities Operation Bond Bond Amount \$350,000.00 Due Date: 4/1/2015	5,250.00
				Total
				5,250.00

Thank You

Sterling Risk Advisors Inc.
P O Box 724137
Atlanta, GA 31139

(678)424-6500

Date

03/22/2015

PERFORMANCE BOND

Bond No: 1942392

FINANCIAL STATEMENT

(WATER UTILITIES)

KNOW ALL MEN BY THESE PRESENTS, that Daufuskie Island Utility Company, Inc.

being duly qualified to do business in the State of South Carolina, designated as "principal", and that
The Hanover Insurance Company, **designated as "surety"/"sureties" is/are held and firmly**
bound unto the Public Service Commission of South Carolina, designated as "obligee", in the penal
sum of \$ 350,000.00 **, for the payment of which well and truly to be made, the principal binds**
itself, its successors and assigns, and the surety/sureties bind themselves, their personal
representatives, and their assigns, jointly and severally, firmly by these presents.

WHEREAS, in accordance with the provisions of S. C. Code Ann., §58-5-720 (1976, as
amended), which requires the principal to furnish a bond with sufficient surety, to the satisfaction of
the obligee, conditioned as provided in said §58-5-720, and

WHEREAS, the obligee has granted the principal a Certificate of Public Convenience and
Necessity and approved a schedule of rates for water service in areas shown on operating maps filed
with the obligee, and

WHEREAS, this bond, when approved by the obligee, conditioned as in said §58-5-720, is to
cover any and all liability which may arise as a result of the principal failing to provide adequate and
sufficient service within its service area as prescribed in §58-5-720, and

FINANCIAL STATEMENT
Water Utilities
Page 2

WHEREAS, the obligee, upon notice and hearing, shall have the right to declare all or any part of the bond forfeited upon a determination by the obligee that the principal shall have willfully failed to provide such service as prescribed above, without just cause or excuse, and that such failure has continued for an unreasonable length of time, and

WHEREAS, the liability under the terms of this bond is hereby extended so as to include any fines or penalties imposed or assessed by the obligee against the principal under the provisions of S.C. Code Ann. §58-5-710 (1976 as amended), and

WHEREAS, in the event that any judicial action or proceedings are initiated with respect to this bond, the parties hereby agree that the venue thereof shall be Richland County, State of South Carolina, and

WHEREAS, the surety/sureties, as stockholders of the principal, undertake this obligation for and in consideration of the principal being able to continue to operate a water utility providing service to the public for compensation under the jurisdiction of the obligee, and

WHEREAS, the surety/sureties, as shall file with this bond a Financial Statement showing personal assets, liabilities, and net worth; and shall file annually with the obligee a revised Financial Statement as long as the bond continues in effect, and

WHEREAS, this bond shall become effective on the date executed by the principal and surety/sureties, and shall continue from year to year unless the obligations of the principal and surety/sureties under this bond are expressly released by the obligee in writing, and

FINANCIAL STATEMENT
Water Utilities
Page 3

WHEREAS, the obligee upon notice and opportunity to the principal and surety/sureties to be heard, may order that the face amount of this bond to be changed within the limits set forth in S. C. Code Ann., §58-5-720 (1976 as amended).

NOW THEREFORE, in testimony whereof, said principal has hereunto subscribed its name and said principal has caused this instrument to be signed by its duly authorized officers, and its corporate seal to hereunto affixed this 14th day of February, 2011; and that said surety/sureties have caused this instrument to be signed this 14th day of February, 2011.

SURETY/SURETIES:

The Hanover Insurance Company

Joyce M Connor
Signature Joyce M Connor, Attorney-in-Fact

Company

IN THE PRESENCE OF:

Raimona Neal
Witness # 1 Raimona Neal

By

Title

Jimmy Forrester
Witness # 2 Jimmy Forrester

IN THE PRESENCE OF

Signature

Witness # 1

Witness # 2

THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

POWERS OF ATTORNEY
CERTIFIED COPY

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of Duluth, GA and each is a true and lawful Attorney(s)-in-fact to sign, execute, seal, acknowledge and deliver for, and on its behalf, and as its act and deed any place within the United States, or, if the following line be filled in, only within the area therein designated

any and all bonds, recognizances, undertakings, contracts of indemnity or other writings obligatory in the nature thereof, as follows:
Any such obligations in the United States, not to exceed Ten Million and No/100 (\$10,000,000.00) in any single instance

and said companies hereby ratify and confirm all and whatsoever said Attorney(s)-in-fact may lawfully do in the premises by virtue of these presents. These appointments are made under and by authority of the following Resolution passed by the Board of Directors of said Companies which resolutions are still in effect:

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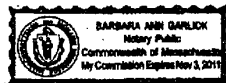
THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

Mary Jeanne Anderson
Mary Jeanne Anderson, Vice President

Robert K. Grennan
Robert K. Grennan, Assistant Vice President

THE COMMONWEALTH OF MASSACHUSETTS)
COUNTY OF WORCESTER) ss.

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Barbara A. Garlick
Notary Public

My commission expires on November 3, 2011

I, the undersigned Assistant Vice President of The Hanover Insurance Company, Massachusetts Bay Insurance Company and Citizens Insurance Company of America, hereby certify that the above and foregoing is a full, true and correct copy of the Original Power of Attorney issued by said Companies, and do hereby further certify that the said Powers of Attorney are still in force and effect.

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GIVEN under my hand and the seals of said Companies, at Worcester, Massachusetts, this _____ day of _____, 20____

THE HANOVER INSURANCE COMPANY
MASSACHUSETTS BAY INSURANCE COMPANY
CITIZENS INSURANCE COMPANY OF AMERICA

Stephen L. Brault
Stephen L. Brault, Assistant Vice President



W. Marshall Taylor Jr., Acting Director
Promoting and protecting the health of the public and the environment

May 1, 2015

Mr. Mike L. Guastella
Guastella Associates, LLC
PO Box 360
Northborough, MA 01532-0360

RE: **Consent Order 15-003-W**
Daufuskie Island Utility Company
Permits ND0068179 and ND0062286
Beaufort County

Dear Mr. Guastella,

We have received, via e-mail, your proposed Corrective Action Plan (CAP) in response to the referenced Consent Order. After review by staff, your proposed CAP has been determined to be acceptable. Pursuant to the terms of the Consent Order, the CAP will now become part of the Order. If you have any questions in this matter, please call me at (803) 898-1261.

Sincerely,

H. Michael Longshore, MPH, REHS
Water Enforcement Division
Bureau of Water

**Compliance Evaluation Inspection
DAUFUSKIE ISLAND CLUB
PERMIT ND0068179**

Introduction

On March 24, 2015, personnel from the South Carolina Department of Health and Environmental Control (SCDHEC) conducted a Compliance Evaluation Inspection (CEI) at the Daufuskie Island Club Wastewater Treatment Facility, Daufuskie Island, South Carolina. The inspector, Penny Cornett met with facility representatives Eric Johanson and Mike Guastella to explain the objectives and procedures of the inspection.

Permit

This facility is authorized to discharge under Land Application Discharge Permit No. ND0068179. Treated wastewater is discharged through outfall 001 to an 18 hole golf course at the Daufuskie Island Club development at Bloody Point. Permit information regarding the name and location of the land application site is correct. Permit information regarding the number and location of discharge points is correct. Outfall 001 is for discharge of treated effluent to the effluent holding pond and then to the golf course. Groundwater monitoring is required semi-annually on each of the 9 groundwater monitoring wells on the 18 hole golf course. The permit became effective on April 1, 2009 and expires on September 30, 2018.

Rating: Satisfactory

Consent Order

Consent order 15-003-W was executed March 4, 2015. The consent order requires that a Corrective Action Plan (CAP) to address deficiencies noted in the CEI reports and prevent future violations be submitted to the Department within 60 days of the execution date of the order.

Rating: Satisfactory

Records and Reports

Records and reports are being maintained as required by the permit. All information is available, complete, current and maintained for a minimum of three years. The Discharge Monitoring Reports (DMRs) for January 2014, January 2015 and February 2015 were reviewed. Analytical results are consistent with the data reported on the DMRs. Sampling and analysis data is adequate and includes dates, times, locations of sampling as well as methods and techniques, results and persons performing sampling and analysis.

The operator's logbook is maintained daily. A preventative maintenance program, emergency procedures, spare parts inventory and pump station inspection program have been established. In accordance with Part II E 3 of the NPDES Permit, the permittee shall develop and maintain at the facility a complete Operations and Maintenance Manual for the waste treatment facilities and/or land application system. The manual shall contain a general description of the treatment process(es), the operational procedures to meet the requirements of the permit and the corrective action to be taken should operating difficulties be encountered.

Rating: Satisfactory

Requirement: Develop an Operations and Maintenance Manual.

Flow Measurement

Flow is measured at the effluent using a 60-degree V notch weir. The weir plate appears to be level, plumb and its top edges are sharp and clean. The stilling basin is of sufficient size and clear of debris. Flow is measured at the effluent with an Endress/Hausser FM U90 flow meter. The flow meter was last calibrated on December 18, 2014. At the time of the inspection, there was no flow over the weir.

Rating: Satisfactory

Self-Monitoring

This facility's self-monitoring program is meeting the requirements of the permit. Samples are taken at sites specified in the permit and the locations are adequate for representative samples. Flow proportioned samples are being collected as required by the permit. Grab samples for fecal coliform, dissolved oxygen and pH are collected properly.

Sampling and analysis is completed on parameters specified by the permit and in the frequencies specified in the permit. The permit requires that samples be collected on the first Wednesday of each month but samples are collected on the first Tuesday of each month. A request to change the sampling date has previously been submitted to the Department. Samples are iced during compositing and proper preservation techniques are used. Containers and sample holding times before analysis conforms with Federal Register 40 CFR 136.3.

Rating: Satisfactory

Requirements: Check that the automatic sampler is pulling the set volume before each sampling event.

Facility Site Review

This 0.08 MGD facility consists of an influent bar screen, aeration pond, chlorine contact chamber, effluent holding pond and effluent pump station to deliver effluent to the golf course.

Operations and Maintenance

At the time of inspection, all treatment units were in service and operating properly with the exception of one aerator that has been removed for repairs. The influent channel was covered in a thick layer of solids. There was duckweed in the aeration basin and holding pond. One tear was noted in the aeration basin liner. All of the lift stations now have two pumps. The effluent pump station has been painted and the jockey pump has been removed as the engineer determined it was not needed. At the time of inspection, there was no discharge. The backflow prevention device at the plant was satisfactorily tested on June 25, 2014. The chlorine scales were calibrated on December 18, 2014.

Rating: Satisfactory

Requirements: 1. Clean the solids from the influent channel. 2. Repair the tear in the aeration basin liner. 3. Repair the aerator.

Sludge Handling/Disposal

This facility currently operates in a manner that does not require routine sludge removal.

Rating: Satisfactory

Laboratory

An on-site laboratory (SCDHEC Laboratory ID 07009, expiration July 3, 2017) at the facility is certified to analyze and report pH, temperature and dissolved oxygen. The other parameters are contracted out to General Environmental Labs (SCDHEC Laboratory ID 27553). A quality assurance manual is available as is a standard operating procedure (SOP).

Rating: Satisfactory

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Schedules in Support
of a
Rate Increase

Historical Test Year 12/31/2014

With Known and Measurable Changes through 12/31/2015

GUASTELLA ASSOCIATES LLC

June 2015

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	S-C.1	Adjustments to Sewer Operating Statement
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	S-E.2	Pro Forma Billing Analysis at Proposed Rates - Sewer
	S-F.1	Revenue Requirement Calculation - Sewer
	S-F.2	Rate Design - Sewer

Schedule A-1

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Comparative Balance Sheets

<u>Assets</u>	<u>Water</u>					
	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Utility Plant	\$3,211,843	\$3,851,101	\$3,858,489	\$3,864,959	\$3,814,485	\$3,905,259
Accumulated Depreciation	(208,008)	(250,512)	(283,720)	(317,092)	(341,904)	(382,950)
Construction Work in Progress	0	0	0	0	0	29,511
Cash	4,956	5,146	11,842	30,152	369,870	34,576
Accounts Receivable	97,128	212,594	228,274	312,173	205,909	202,206
Provision for Uncollectibles	(45,013)	(67,825)	(67,825)	(67,825)	0	0
Receivables from Associated Co.	0	0	0	0	0	0
Deferred Expenses	0	0	0	202,503	408,150	502,686
Accumulated Deferred Income Tax	0	0	0	0	0	0
Total Assets	\$3,060,906	\$3,750,504	\$3,747,060	\$4,024,870	\$4,456,510	\$4,291,287

<u>Liabilities & Equity</u>						
Common Stock	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Premium on Capital Stock	1,328,041	1,328,041	664,021	664,021	664,021	664,021
Paid in Capital	2,670,205	3,150,047	2,829,589	2,801,457	1,765,964	1,765,964
Retained Earnings	(1,305,625)	(1,211,687)	(212,815)	(65,714)	(69,317)	(18,326)
Notes and Loans Payable	0	0	0	0	1,369,979	1,307,975
Accounts Payable	42,523	75,245	82,296	272,010	61,678	100,225
Advances from Associated Co.	0	(20,586)	(42,109)	(61,577)	(25,615)	(25,615)
Accrued Taxes	0	0	0	2,130	(1,468)	157
Deferred Credits	0	0	0	0	269,779	72,195
Misc Accrued Liabilities	0	0	0	0	12,443	16,771
Misc Operating Reserves	0	10,659	10,659	0	0	0
Contributions in Aid of Construction	354,000	453,500	454,000	455,000	455,500	458,500
Accum. Amortization of CIAC	(29,238)	(35,715)	(39,581)	(45,456)	(47,455)	(51,580)
Total Liabilities & Equity	\$3,060,906	\$3,750,504	\$3,747,060	\$4,022,870	\$4,456,510	\$4,291,287

<u>Assets</u>	<u>Sewer</u>					
	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Utility Plant	\$2,679,330	\$3,637,399	\$3,642,884	\$3,645,734	\$3,474,402	\$4,077,571
Accumulated Depreciation	(258,167)	(317,217)	(347,008)	(376,912)	(369,432)	(404,688)
Construction Work in Progress	0	0	0	18,170	92,951	225,342
Cash	1,479	5,146	11,843	30,152	369,870	34,576
Accounts Receivable	100,732	227,191	279,018	278,142	194,956	198,409
Provision for Uncollectibles	(54,036)	(96,662)	(96,662)	(96,662)	0	0
Receivables from Associated Co.	282,366	5,139	0	0	0	0
Deferred Expenses	0	0	770	202,503	408,150	502,686
Accumulated Deferred Income Tax	0	0	0	0	0	0
Total Assets	\$2,751,704	\$3,460,995	\$3,490,845	\$3,701,129	\$4,170,897	\$4,633,896

<u>Liabilities & Equity</u>						
Common Stock	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Premium on Capital Stock	0	0	664,020	664,020	664,021	664,021
Paid in Capital	2,579,174	3,226,883	3,547,341	3,519,209	2,459,067	2,459,067
Retained Earnings	(15,339)	31,720	(901,197)	(879,745)	(851,298)	(178,173)
Notes and Loans Payable	0	0	0	0	1,369,979	1,307,975
Accounts Payable	52,443	31,915	32,633	272,010	61,678	100,255
Advances from Associated Co.	26,166	(20,586)	(42,109)	(61,577)	(25,615)	(25,615)
Accrued Taxes	(418)	(418)	(418)	1,674	6,440	8,065
Deferred Credits	0	0	0	0	265,359	72,195
Misc Accrued Liabilities	0	0	0	0	36,673	41,001
Misc Operating Reserves	0	5,118	5,118	0	0	0
Contributions in Aid of Construction	116,795	197,295	197,795	199,295	199,795	201,795
Accum. Amortization of CIAC	(8,117)	(11,932)	(13,338)	(14,757)	(16,202)	(17,689)
Total Liabilities & Equity	\$2,751,704	\$3,460,995	\$3,490,845	\$3,701,129	\$4,170,897	\$4,633,896

Schedule A-2

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Comparative Income Statements for 12 Months Ended

	Water					
	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Revenues:						
Metered Sales	\$152,708	\$219,825	\$234,370	\$281,237	\$315,254	\$309,860
Availability Billing	38,173	128,829	132,903	154,579	208,970	213,004
Interdepartmental Sales	0	0	0	0	0	0
Other Revenue	1,051	3,775	2,671	5,405	4,908	20,444
Total Operating Revenue	<u>191,932</u>	<u>352,429</u>	<u>369,944</u>	<u>441,221</u>	<u>529,131</u>	<u>543,308</u>
Expenses:						
O&M Expense	200,864	327,999	315,487	338,308	427,489	472,592
Depreciation	29,371	29,209	29,342	29,498	29,981	36,921
Amortization					46,210	46,210
Taxes, Other	616	9,132	10,721	11,684	7,633	8,759
Income Tax	0	0	0	0	0	0
Total Operating Expense	<u>230,851</u>	<u>366,340</u>	<u>355,550</u>	<u>379,490</u>	<u>511,313</u>	<u>564,482</u>
Net Operating Income	(38,919)	(13,911)	14,394	61,731	17,818	(21,174)
Other Income	0	0	0	0	65	122
Interest Expense	0	0	0	0	(6,061)	(88,763)
Other Expenses	0	0	0	0	0	(3,607)
Net Income	<u>(\$38,919)</u>	<u>(\$13,911)</u>	<u>\$14,394</u>	<u>\$61,731</u>	<u>\$11,822</u>	<u>(\$113,422)</u>
	Sewer					
	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Revenues:						
Metered Sales	\$111,102	\$172,731	\$171,405	\$195,602	\$224,335	\$246,745
Availability Billing	67,864	159,901	165,380	191,065	271,878	276,661
Interdepartmental Sales	137,080	0	0	0	0	0
Other Revenue	1,966	4,975	2,881	6,609	4,908	9,749
Total Operating Revenue	<u>318,012</u>	<u>337,607</u>	<u>339,666</u>	<u>393,276</u>	<u>501,120</u>	<u>533,155</u>
Expenses:						
O&M Expense	271,573	262,600	250,362	263,682	338,772	382,145
Depreciation	25,884	28,170	28,384	28,486	28,770	36,151
Amortization					46,210	46,210
Taxes, Other	1,963	6,498	9,358	9,645	11,392	8,759
Income Tax	0	0	0	0	0	0
Total Operating Expense	<u>299,420</u>	<u>297,268</u>	<u>288,104</u>	<u>301,813</u>	<u>425,144</u>	<u>473,265</u>
Net Operating Income	18,592	40,339	51,562	91,463	75,977	59,890
Other Income	0	0	0	0	65	122
Interest Expense	0	0	0	0	(6,061)	(88,763)
Other Expenses	0	0	0	0	0	(3,607)
Net Income	<u>\$18,592</u>	<u>\$40,339</u>	<u>\$51,562</u>	<u>\$91,463</u>	<u>\$69,981</u>	<u>(\$32,358)</u>

Schedule A-3

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Water and Sewer Operations**

Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Return</u>
L-T Debt	\$3,750,000	41.2%	6.20%	2.55%	\$232,269
S-T Debt	0	0.0%	2.42%	0.00%	0
Equity	<u>5,358,573</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>	<u>562,910</u>
	<u><u>\$9,108,573</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>	<u><u>\$795,178</u></u>

Connecticut DPUC Formula:

Average Large Company	9.69%
Small Company Adder	0.50%
Performance Adder	0.50%
	<u>10.69%</u>

Florida PSC Leverage Graph Formula:

5.6% + (2.279 / Equity Ratio) = ROE		
Range	100% =	7.88%
	40% =	11.30%
Equity Ratio	58.8% =	<u>9.47%</u>

Schedule A-4

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Combined Operating Statement

	12/31/2015			
	Year-End 12/31/2014	Adjustments	Pro Forma Present Rates	Pro Forma Proposed Rates
Operating Revenue:				
Residential	\$307,239	\$20,165	\$327,404	\$383,382
Commercial	151,057	(2,549)	148,507	139,082
Irrigation	98,309	6,559	104,868	108,369
Availability Billing	489,665	(15,338)	474,327	518,553
Misc. Other Revenue	30,193	121	30,314	32,915
Interdepartmental Sales	0	0	0	0
Billing Adjustments	0	0	0	0
Total Revenues	1,076,463	8,958	1,085,421	1,182,301
Operating Expense:				
Wages	156,602	8,149	164,751	0
Benefits	8,980	1,706	10,686	0
Director's Fees	16,500	0	16,500	0
Sludge Disposal	0	0	0	0
Power	115,437	51,281	166,718	0
Chemicals	9,019	491	9,510	0
Supplies & Maintenance	27,136	1,407	28,543	0
Outside Services-Mgmt	157,650	13,714	171,364	0
Outside Services-Engineering	10,137	9,002	8,013	0
Outside Services-Accounting	2,761	0	2,761	0
Outside Services-Legal	23,178	0	23,178	0
Outside Services-Testing	92,288	0	92,288	0
Outside Services-Other	38,621	(4,269)	38,621	0
Other Operating Expenses	0	0	0	0
Transportation	2,450	306	2,756	0
Bad Debt	105,667	(90,905)	14,762	16,090
Insurance	30,205	18,117	48,322	0
Regulatory Commission Expense	15,745	(109)	15,636	0
Other A&G Expenses	36,436	0	36,436	0
Total O&M Expense	848,814	8,890	850,846	16,090
Depreciation	73,072	22,194	95,266	0
Amortization	92,421	113,655	206,076	0
Revenue Taxes	6,048	806	6,854	7,466
Property Taxes	4,209	188,092	192,302	0
Payroll Taxes	13,183	549	13,731	0
State and Federal Income Taxes	0	0	0	260,495
Total Operating Expenses	1,037,747	334,186	1,365,076	284,051
Net Operating Income	\$38,716		(\$279,656)	\$618,595
Rate Base	\$7,014,171		\$7,085,475	\$7,085,475
Rate of Return	0.55%		-3.95%	8.73%
			Revenue Increase	108.9%

Schedule W-B

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Water Rate Base Calculation

	<u>12/31/2014</u>	<u>Test Year Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
Plant in Service	\$3,899,032	\$6,227	\$3,905,259	\$44,698	\$3,949,957
Accumulated Depreciation	(382,950)	0	(382,950)	(46,446)	(429,396)
CWIP	29,511	0	29,511	(29,511)	0
Contributions in Aid of Construction	(458,500)	0	(458,500)	(19,250)	(477,750)
Accum. Amortization of CIAC	51,580	0	51,580	4,508	56,088
Net Plant	3,138,672	6,227	3,144,899	(46,001)	3,098,898
Working Capital (1/5th O&M)	0	93,920	93,920	2,035	95,955
Unamortized Balances	0	0	0	83,650	83,650
Rate Base	<u>\$3,138,672</u>	<u>\$100,147</u>	<u>\$3,238,819</u>	<u>\$39,684</u>	<u>\$3,278,503</u>

Schedule W-B.1

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Adjustments to Pro Forma Water System Rate Base

1	Adjustments to Utility Plant in Service.		
a)	UPIS Pro Forma Additions		
	Meter & Meter Boxes	\$ 15,187	
b)	UPIS Reclass from CWIP		
	Storage Tank Land Costs	29,511	
	Adjustment		<u>\$ 44,698</u>
2	Adjust accumulated depreciation to reflect pro forma annual depreciation.		
a)	Annual Depreciation (Schedule C-3)	\$ 46,446	
	Adjustment		<u>\$ (46,446)</u>
3	Reclass Construction Work in Progress to Plant in Service.		
	Adjustment		<u>\$ (29,511)</u>
4	Adjust CIAC for Tap Fees related to pro forma customer growth.		
	Adjustment		<u>\$ (19,250)</u>
5	Adjust accumulated amortization of CIAC to reflect pro forma annual amortization.		
a)	Annual Amortization (Schedule C-3)	\$ (4,508)	
	Adjustment		<u>\$ 4,508</u>
6	Adjust working capital allowance for changes to O&M expenses.		
	Expense Adjustment	10,177	
	Working Capital Allowance (Qtrly Billing)	20%	
	Adjustment		<u>\$ 2,035</u>
7	Adjustment to reflect the average unamortized balance of rate case expense and deferred property taxes.		
	Rate Case Costs	95,600	
	Amortization Period (yrs)	4	
	Average Unamortized Balance	83,650	
	Adjustment		<u>\$ 83,650</u>

Schedule W-B.2

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Water Utility Plant in Service

	UPIS Acct	Balance 12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Organizational Costs	301	\$ 73,597		\$ 73,597		\$ 73,597
Land	303	56,702	5,128	61,830	29,511	91,341
Wells	307	794,865		794,865		794,865
Misc Equipment-Source	339	9,104		9,104		9,104
Water Treatment Plant	320	321,643	(1,824)	319,819		319,819
Distribution Reservoirs	330	869,379		869,379		869,379
Storage - Other	330A	37,946		37,946		37,946
T&D Plant	311	75,414		75,414		75,414
Mains, Hydrts, Serv	331	1,509,688		1,509,688		1,509,688
Meters	334	8,786	2,922	11,708	15,187	26,896
Other Intangible Plant	348	404		404		404
Plant-Structures	304	104,082		104,082		104,082
Office Equipmt	340	13,820		13,820		13,820
Transportation Equipmt	341	18,067		18,067		18,067
General Plant-Tools & Equip	343	5,536		5,536		5,536
Total Water Plant		<u>\$ 3,899,032</u>	<u>\$ 6,227</u>	<u>\$ 3,905,259</u>	<u>\$ 44,698</u>	<u>\$ 3,949,957</u>

Schedule W-B.3

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Water Accumulated Depreciation

	UPIS Acct	Balance 12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Wells	307	\$ 88,101		\$ 88,101	\$ 7,500	\$ 95,601
Misc Equipment-Source	339	82		82	172	254
Water Treatment Plant	320	21,797		21,797	3,749	25,546
Distribution Reservoirs	330	60,598		60,598	8,203	68,802
Storage - Other	330A	-		-	3,162	3,162
T&D Plant	311	(3,048)		(3,048)	907	(2,142)
Mains, Hydrts, Serv	331	195,966		195,966	14,245	210,212
Meters	334	649		649	846	1,495
Other Intangible Plant	348	8		8	16	24
General Plant-Structures	304	7,672		7,672	2,836	10,508
Office Equipmt	340	808		808	691	1,499
Transportation Equipmt	341	8,369		8,369	3,011	11,380
General Plant-Tools & Equip	343	1,947		1,947	1,107	3,054
		<u>\$ 382,950</u>	<u>\$ -</u>	<u>\$ 382,950</u>	<u>\$ 46,446</u>	<u>\$ 429,396</u>
Total Water Plant		<u>\$ 382,950</u>	<u>\$ -</u>	<u>\$ 382,950</u>	<u>\$ 46,446</u>	<u>\$ 429,396</u>

Schedule W-B.4

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Water CIAC and Accumulated Amortization

	Balance 12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
CIAC - Tap Fees	\$ 339,500	\$ -	\$ 339,500	\$ 19,250	\$ 358,750
CIAC - Other	119,000		119,000	-	119,000
Water - CIAC	<u>\$ 458,500</u>	<u>\$ -</u>	<u>\$ 458,500</u>	<u>\$ 19,250</u>	<u>\$ 477,750</u>
Accum. Amortization - Tap Fees	\$ 38,193	\$ -	\$ 38,193	\$ 3,385	\$ 41,578
Accum. Amortization - Other	13,387	-	13,387	1,123	14,510
Water - CIAC Amortization	<u>\$ 51,580</u>	<u>\$ -</u>	<u>\$ 51,580</u>	<u>\$ 4,508</u>	<u>\$ 56,088</u>

Schedule W-C

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Water Operating Statement

	Year-End 12/31/2014	Ref.	Adjustments	12/31/2015		
				Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$139,071	E-1	\$7,519 (1a)	\$146,590	\$173,488 (1b)	\$320,078
Commercial	72,479	E-1	452 (1c)	72,931	58,633 (1d)	131,564
Irrigation	98,309	E-1	6,559 (1e)	104,868	108,369 (1f)	213,238
Availability Billing	213,004	E-1	(10,848) (1g)	202,156	227,804 (1h)	429,960
Misc. Other Revenue	20,444	E-1	88 (1i)	20,531	22,159 (1j)	42,691
Metered Sales-Other	0		0	0	0	0
Billing Adj (Remove Tap Fees)	0		0	0	0	0
Total Revenues	543,308		3,769	547,077	590,454	1,137,531
Operating Expense:						
Wages	78,301	C-2	4,075 (2)	82,376		82,376
Benefits	4,490	C-2	853 (3)	5,343		5,343
Officer & Director's Fees	8,250	C-2	0 (4)	8,250		8,250
Sludge Disposal	0	C-2		0		0
Purchased Water	0	C-2		0		0
Power	57,581	C-2	25,514 (5)	83,095		83,095
Chemicals	4,510	C-2	230 (6)	4,740		4,740
Supplies & Maintenance	13,849	C-2	695 (7)	14,544		14,544
Outside Services-Mgmt	78,825	C-2	6,857 (8)	85,682		85,682
Outside Services-Engineering	425	C-2	2,145 (9)	2,570		2,570
Outside Services-Accounting	1,381	C-2		1,381		1,381
Outside Services-Legal	11,589	C-2		11,589		11,589
Outside Services-Testing	81,578	C-2		81,578		81,578
Outside Services-Other	31,026	C-2		31,026		31,026
Other Operating Expenses	0	C-2		0		0
Transportation	1,225	C-2	153 (10)	1,378		1,378
Bad Debt	52,834	C-2	(46,158) (11)	6,676	7,203 (20)	13,879
Insurance	18,197	C-2	5,964 (12)	24,161		24,161
Regulatory Commission Expense	10,861	C-2	2,645 (13)	13,506		13,506
Other A&G Expenses	14,683	C-2		14,683		14,683
Total O&M Expense	469,602		2,974	472,576	7,203	479,779
Depreciation, Net	36,921	C-2	5,017 (14)	41,938		41,938
Amortization	46,210	C-2	56,828 (15)	103,038		103,038
Revenue Taxes	3,052	C-2	403 (16)	3,455	3,729 (21)	7,183
Property Taxes	2,105	C-2	89,863 (17)	91,967		91,967
Payroll Taxes	6,591	C-2	274 (18)	6,866		6,866
State and Federal Income Taxes	0	C-2	0 (19)	0	120,533 (22)	120,533
Total Operating Expenses	564,482		155,358	719,840	131,464	851,305
Net Operating Income	(\$21,174)			(\$172,763)		\$286,227
Rate Base	\$3,238,819			\$3,278,503		\$3,278,503
Rate of Return	-0.65%			-5.27%		8.73%
				Revenue Increase		107.9%

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Water)

Schedule W-C.1

<u>Adjustment (1)</u>				
a)	Adjust residential revenue to reflect the pro forma number of customers at present rates.			
	Residential Revenue Per Schedule E.1	146,590		
	Less: Residential Revenue - Test Year	139,071		
	Adjustment			<u>7,519</u>
b)	Adjust residential revenue to reflect the pro forma number of customers at proposed rates.			
	Residential Revenue Per Schedule E.2	320,078		
	Less: Residential Revenue Per Schedule E.1	146,590		
	Adjustment			<u>173,488</u>
c)	Adjust commercial revenue to reflect the pro forma number of customers at present rates.			
	Commercial Revenue Per Schedule E.1	72,931		
	Less: Commercial Revenue - Test Year	72,479		
	Adjustment			<u>452</u>
d)	Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.			
	Commercial Revenue Per Schedule E.2	131,564		
	Less: Commercial Revenue Per Schedule E.1	72,931		
	Adjustment			<u>58,633</u>
e)	Adjust irrigation revenue to reflect the pro forma demand at present rates.			
	Irrigation Revenue Per Schedule E.1	104,868		
	Less: Irrigation Revenue - Test Year	98,309		
	Adjustment			<u>6,559</u>
f)	Adjust irrigation revenue to reflect the pro forma demand at proposed rates.			
	Irrigation Revenue Per Schedule E.2	213,238		
	Less: Irrigation Revenue Per Schedule E.1	104,868		
	Adjustment			<u>108,369</u>
g)	Adjust availability revenue to reflect the pro forma number of customers at present rates.			
	Availability Revenue Per Schedule E.1	202,156		
	Less: Availability Revenue - Test Year	213,004		
	Adjustment			<u>(10,848)</u>
h)	Adjust availability revenue to reflect the pro forma number of customers at proposed rates.			
	Availability Revenue Per Schedule E.2	429,960		
	Less: Availability Revenue Per Schedule E.1	202,156		
	Adjustment			<u>227,804</u>
i)	Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.			
		Total Rev.	Misc. Rev.	
	Misc Revenue Per Schedule E.1	547,077	3.75%	20,531
	Less: Misc Revenue - Test Year	544,745	3.75%	20,444
	Adjustment			<u>88</u>
j)	Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.			
		Total Rev.	Misc. Rev.	
	Misc Revenue Per Schedule E.2	1,137,531	3.75%	42,691
	Less: Misc Revenue Per Schedule E.1	547,077	3.75%	20,531
	Adjustment			<u>22,159</u>

Schedule W-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Water)

Adjustment (2)

Increase the previous level of wages for 4 full-time shared employees to reflect the wages of 4 full-time
1 part-time shared employee (an effort to reduce OT) including a 3% wage increase for the full-time employees.

Pro forma costs (WP 7.4)	82,376	
Less: Test period costs	<u>78,301</u>	
Adjustment		<u><u>4,075</u></u>

Adjustment (3)

Adjust employee insurance benefits to reflect current premiums.

Pro forma costs (WP 7.4)	5,343	
Less: Test period costs	<u>4,490</u>	
Adjustment		<u><u>853</u></u>

Adjustment (4)

Adjust Directors' Fees to reflect annual Officer's fees of \$12,000 and Directors' fees of \$4,500
split between water and sewer operations.

Pro forma costs	8,250	
Less: Test period costs	<u>8,250</u>	
Adjustment		<u><u>0</u></u>

Adjustment (5)

Adjust pro forma bills to reflect corrected 2nd and 3rd quarter SCE&G bills and
increase the level of power costs for increased system demand.

	Test Period	Factor	Pro Forma	
July-YE Power	39,527			
Annualized SCE&G Corrected Bills	79,053	1.051	83,095	
less: Test Year			57,581	
Adjustment				<u><u>25,514</u></u>

Adjustment (6)

Increase the level of chemical costs for increased system demand.

	Test Period	Factor	Pro Forma	
Chemicals	4,510	1.051	4,740	
Adjustment				<u><u>230</u></u>

Adjustment (7)

Increase the level of operating supply costs for increased number of customers.

Test period costs	13,849	
Factor for increase in customers	<u>1,050</u>	
	14,544	
Adjustment		<u><u>695</u></u>

Adjustment (8)

Adjust Outside Services-Management to reflect contractual annual increases.

Test period costs	78,825	
Factor for increase in customers	<u>1,050</u>	
	82,785	
Annual Increase	<u>3.5%</u>	
	85,682	
Adjustment		<u><u>6,857</u></u>

Adjustment (9)

Adjust Outside Services-Engineering to reflect 2011-2014 average cost.

	2011	2012	2013	2014	Average	
Annual Cost	3,200	3,563	3,093	425	2,570	
Less: Test period costs					<u>425</u>	
Adjustment						<u><u>2,145</u></u>

Schedule W-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Water)

Adjustment (10)

Adjust transportation costs relative to the number of employees.

	Test Period	Factor	Pro Forma	
Transportation	1,225	1.125	1,378	
Adjustment				<u>153</u>

Adjustment (11)

Adjust bad debt expense to reflect revenue write-off percentages established in prior case applied to pro forma revenue under present rates.

Metered Sales-Bad debt at .5% of revenues	324,390	0.5%	1,622	
Availability Sales-Bad Debt at 2.5% of revenue	202,156	2.5%	<u>5,054</u>	
			6,676	
Test period costs			<u>52,834</u>	
Adjustment				<u>(46,158)</u>

Adjustment (12)

Adjustment to record general liability insurance to reflect recent premiums.

	Vehicle	Op Bond	General	Flood	Water Syst.	
Pro Forma Expense	2,576	10,500	28,531	6,715	24,161	
Test Period Expense					<u>18,197</u>	
Adjustment						<u>5,964</u>

Adjustment (13)

Adjust Regulatory Expenses to reflect most recent DHEC drinking water annual bills.

	Melrose Area	Haig Pt.		
Pro Forma Expense	6,731	6,775	13,506	
Test Period Expense			<u>10,861</u>	
Adjustment				<u>2,645</u>

Adjustment (14)

Adjustment to reflect the annual depreciation for pro forma plant in service.

Pro Forma Depreciation Expense	41,938	
Test period Depreciation Expense	<u>36,921</u>	
Adjustment		<u>5,017</u>

Adjustment (15)

Adjustment to reflect the amortization of rate case expense and deferred Property Taxes.

	Cost	Years	Annual	
Total rate case cost	95,600	4	23,900	
Property Taxes	263,422	8	<u>32,928</u>	
Annual amortization				<u>56,828</u>

Adjustment (16)

Adjustment to reflect the revenue taxes on pro forma revenue under present rates.

Revenue	547,077	
Revenue Tax Rate	<u>0.63150%</u>	
	3,455	
Less: Test Year Revenue Tax	<u>3,052</u>	
Adjustment		<u>403</u>

Adjustment (17)

Adjustment property Taxes to reflect actual tax bills and rates for updated market values of Land, Building & Contents.

	Market Value	Assessed Value	Effective Tax Rate	Property Tax Amt	
Pro Forma Property Taxes	3,520,560	369,659	0.248790	91,967	
Less: Test Year Property Taxes				<u>2,105</u>	
Adjustment					<u>89,863</u>

Adjustment (18)

Increase the level of payroll taxes to reflect pro forma wages.

Pro forma costs (WP 7.4)	6,866	
Test period costs	<u>6,591</u>	
Adjustment		<u>274</u>

Schedule W-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Water)

Adjustment (19)

Adjustment to reflect State and Federal Income Taxes.

Revenue	547,077			
O&M Expense	(472,576)			
Depreciation	(41,938)			
Amortization	(103,038)			
Taxes - Other	(102,288)			
Interest Expense	(83,602)			
State Taxable Income	(256,365)			
State Income Tax Rate		5.000%		
SIT			0	
Federal Taxable Income	(256,365)			
Federal Income Tax Rate		32.466%		
FIT			0	
Pro Forma Income Tax			0	
Test Period Income Tax			0	
Adjustment				<u>0</u>

Adjustment (20)

Adjust bad debt expense to reflect rate increase.

Pro forma Bad Debt at Present Rates	6,676			
Rate Increase Percentage	107.9%			
Adjustment				<u>7,203</u>

Adjustment (21)

Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement	1,137,518			
Revenue Tax Rate	0.63150%			
Revenue Tax at Proposed Rates	7,183			
Revenue Tax at Present Rates	3,455			
Adjustment				<u>3,729</u>

Adjustment (22)

Adjustment to reflect State and Federal Income Taxes.

Revenue Requirement	1,137,518			
O&M Expense	(479,779)			
Depreciation	(41,938)			
Amortization	(103,038)			
Taxes - Other	(106,017)			
Interest Expense	(83,602)			
State Taxable Income	323,144			
State Income Tax Rate		5.000%		
SIT			16,157	
Federal Taxable Income	306,987			
Federal Income Tax Rate		34.000%		
FIT			104,376	
Pro Forma Income Tax-Proposed Rates			120,533	
Pro Forma Income Tax-Present Rates			0	
Adjustment				<u>120,533</u>

Schedule W-C.2

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Operating Expenses - Water

	Acct	12 Months Ended 12/31/13 Expense	12 Months Ended 12/31/14 Expense	Adjusted Rate Year Expense
Wages	601	89,584	78,301	82,376
Benefits	603	5,495	4,490	5,343
Officer & Director's Fees	604	2,250	8,250	8,250
Sludge Disposal		0	0	0
Purchased Water		0	0	0
Power	615	36,586	57,581	83,095
Chemicals	618	5,936	4,510	4,740
Supplies & Maintenance	620	9,411	13,849	14,544
Outside Services-Mgmt	634	76,157	78,825	85,682
Outside Services-Engineering	631	3,093	425	2,570
Outside Services-Accounting	632	2,496	1,381	1,381
Outside Services-Legal	633	5,819	11,589	11,589
Outside Services-Testing	635	45,770	81,578	81,578
Outside Services-Other	636	11,438	31,026	31,026
Other Operating Expenses		0	0	0
Transportation	650	2,715	1,225	1,378
Bad Debt	670	71,457	52,834	6,676
Insurance	657	31,100	18,197	24,161
Regulatory Commission Expense	667	12,839	13,850	13,506
a) Reclass to Revenue Tax	667	(1,995)	(2,989)	
Other A&G Expenses	675	15,344	14,683	14,683
Total O&M Expense		425,494	469,602	472,576
Depreciation	403	29,981	36,921	41,938
Amortization	407	46,210	46,210	103,038
Revenue Taxes	408	63	63	3,455
a) Reclass from Reg. Comm. Exp.	408	1,995	2,989	0
Property Taxes	408	3,985	2,105	91,967
Payroll Taxes	408	3,586	6,591	6,866
State and Federal Income Taxes	409	0	0	0
Total Operating Expenses		511,313	564,482	719,840

Schedule W-C.3

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Depreciation Expense - Water

	Pro Forma UPIS Balance	Depreciation Rate	Pro Forma Utilization	Pro Forma Depreciation Expense
Wells	\$ 794,865	2.000%	47.18%	\$ 7,500
Misc Equipment-Source	9,104	4.000%	47.18%	172
Water Treatment Plant	319,819	2.484%	47.18%	3,749
Distribution Reservoirs	869,379	2.000%	47.18%	8,203
Storage - Other	37,946	8.333%	100.00%	3,162
T&D Plant	75,414	2.548%	47.18%	907
Mains, Hydrts, Serv	1,509,688	2.000%	47.18%	14,245
Meters	26,896	6.667%	47.18%	846
Other Intangible Plant	404	4.000%	100.00%	16
General Plant-Structures	104,082	2.725%	100.00%	2,836
Office Equipmt	13,820	5.000%	100.00%	691
Transportation Equipmt	18,067	16.667%	100.00%	3,011
General Plant-Equipment	5,536	20.000%	100.00%	1,107
CIAC - Tap Fees	(358,750)	2.000%	47.18%	(3,385)
CIAC - Other	(119,000)	2.000%	47.18%	(1,123)
	<u>3,307,269</u>			<u>41,938</u>
Depreciation Expense				\$ 46,446
Amortization of CIAC				(4,508)
Net Depreciation				<u>\$ 41,938</u>

Schedule W-D

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Water Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
L-T Debt	\$1,349,760	41.2%	6.20%	2.55%
S-T Debt	0	0.0%	2.42%	0.00%
Equity	<u>1,928,743</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>
	<u><u>\$3,278,503</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>

Schedule W-E

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Water Billing Analysis at Present Rates
12/31/2014

	Quarterly Bills	Annual Usage (tg)	Billed Usage (tg)	Quarterly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
Residential-DIUC	1,044.0			\$62.09		\$64,822		\$64,822
Total gals		11,552.907	11,553.000		\$2.76		\$31,886	\$31,886
Residential-MUC/BP	447.0			\$80.72		\$36,082		\$36,082
Total gals		6,283.748	2,178.000		\$2.44		\$5,314	\$5,314
	<u>1,491.0</u>	<u>17,836.655</u>	<u>13,731.000</u>			<u>\$100,904</u>	<u>\$37,201</u>	<u>\$138,104</u>
Commercial-DIUC	106.0			\$86.93		\$9,215		\$9,215
Total gals		4,545.880	4,546.000		\$2.76		\$12,547	\$12,547
Commercial-MUC/BP	166.0			\$136.60		\$22,676		\$22,676
Total gals		4,297.362	2,544.703		\$1.95		\$4,962	\$4,962
Multi-Unit-MUC/BP	168.0			\$136.60		\$22,949		\$22,949
Total gals					\$1.95		\$0	\$0
	<u>440.0</u>	<u>8,843.242</u>	<u>7,090.703</u>			<u>\$54,839</u>	<u>\$17,509</u>	<u>\$72,348</u>
Irrigation-DIUC								
0 to 18,000 gals (quarterly)	817.0	8,367.838	8,368.000		\$2.76		\$23,096	\$23,096
18,001 to 60,000 gals		9,829.270	9,829.000		\$3.09		\$30,372	\$30,372
Over 60,000 gals		10,049.342	10,049.000		\$3.50		\$35,172	\$35,172
Irrigation-MUC/BP								
All gallons	184.0	6,356.858	6,356.858		\$1.66		\$10,552	\$10,552
	<u>1,001.0</u>	<u>34,603.308</u>	<u>34,602.858</u>				<u>\$99,191</u>	<u>\$99,191</u>
Total Water Revenues	2,932.0	61,283.205	55,424.561			\$155,743	\$153,901	\$309,644
						50.3%	49.7%	
Availability Billing-DIUC	2,063.0			\$31.04				\$64,036
Availability Billing-MUC/BP	1,972.0			\$76.38				\$150,621
	<u>4,035.0</u>							<u>\$214,657</u>
Misc. Revenue (Late Chgs)							3.75%	\$20,444
Total Water Operating Revenue								<u>\$544,745</u>
Revenue Per Books								<u>\$543,308</u>
Difference								\$1,436
								0.26%

Schedule W-E.1

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

**Water Billing Analysis at Present Rates
Pro Forma Year-End 12/31/2015**

	Quarterly Bills	Annual Usage (tg)	Billed Usage (tg)	Quarterly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
Residential-DIUC	1,092.0			\$62.09		\$67,802		\$67,802
Total gals		12,038.050	12,038.000		\$2.76		\$33,225	\$33,225
Residential-MUC/BP	492.0			\$80.72		\$39,714		\$39,714
Total gals		6,916.301	2,397.000		\$2.44		\$5,849	\$5,849
	1,584.0	18,954.351	14,435.000			\$107,517	\$39,074	\$146,590
Commercial-DIUC	104.0			\$86.93		\$9,041		\$9,041
Total gals		4,545.000	4,545.000		\$2.76		\$12,544	\$12,544
Commercial-MUC/BP	164.0			\$136.60		\$22,402		\$22,402
Total gals		4,245.452	2,514.000		\$1.95		\$4,902	\$4,902
Multi-Unit-MUC/BP	176.0			\$136.60		\$24,042		\$24,042
Total gals					\$1.95		\$0	\$0
	444.0	8,790.452	7,059.000			\$55,485	\$17,447	\$72,931
Irrigation-DIUC	864.0							
0 to 18,000 gals (quarterly)		8,816.844	8,817.000		\$2.76		\$24,335	\$24,335
18,001 to 60,000 gals		10,356.694	10,357.000		\$3.09		\$32,003	\$32,003
Over 60,000 gals		10,588.575	10,589.000		\$3.50		\$37,062	\$37,062
Irrigation-MUC/BP	200.0							
0 to 18,000 gals (quarterly)		1,487.315	1,487.000		\$1.66		\$2,468	\$2,468
18,001 to 60,000 gals		2,176.337	2,176.000		\$1.66		\$3,612	\$3,612
Over 60,000 gals		3,245.976	3,246.000		\$1.66		\$5,388	\$5,388
	1,064.0	36,671.741	36,672.000				\$104,868	\$104,868
Total Water Revenues	3,092.0	64,416.544	58,166.000			\$163,001 50.25%	\$161,389 49.75%	\$324,390
Availability Billing-DIUC	2,280.0			\$31.05				\$70,783
Availability Billing-MUC/BP	1,720.0			\$76.38				\$131,374
	4,000.0							\$202,156
Misc. Revenue (Late Chgs)							3.75%	\$20,531
Total Water Operating Revenue								<u>\$547,077</u>

Schedule W-E.2

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Water Billing Analysis at Proposed Rates
Pro Forma Year-End 12/31/2015

	Quarterly Bills	Annual Usage (tg)	Billed Usage (tg)	Quarterly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
Residential-DIUC	1,092.0			\$149.30		\$163,036		\$163,036
Total gals		12,038.050	12,038.000		\$4.41		\$53,088	\$53,088
Residential-MUC/BP	492.0			\$149.30		\$73,456		\$73,456
Total gals		6,916.301	6,916.000		\$4.41		\$30,500	\$30,500
	<u>1,584.0</u>	<u>18,954.351</u>	<u>18,954.000</u>			<u>\$236,491</u>	<u>\$83,587</u>	<u>\$320,078</u>
Commercial-DIUC	104.0			\$209.01		\$21,737		\$21,737
Total gals		4,545.000	4,545.000		\$4.41		\$20,043	\$20,043
Commercial-MUC/BP	164.0			\$209.01		\$34,278		\$34,278
Total gals		4,245.452	4,245.000		\$4.41		\$18,720	\$18,720
Multi-Unit-MUC/BP	176.0			\$209.01		\$36,786		\$36,786
Total gals		0.000	0.000		\$4.41		\$0	\$0
	<u>444.0</u>	<u>8,790.452</u>	<u>8,790.000</u>			<u>\$92,800</u>	<u>\$38,764</u>	<u>\$131,564</u>
Irrigation-DIUC	864.0							
0 to 18,000 gals (quarterly)		8,816.844	8,817.000		\$4.85		\$42,762	\$42,762
18,001 to 60,000 gals		10,356.694	10,357.000		\$5.73		\$59,346	\$59,346
Over 60,000 gals		10,588.575	10,589.000		\$6.61		\$69,993	\$69,993
Irrigation-MUC	200.0							
0 to 18,000 gals (quarterly)		1,487.315	1,487.000		\$4.85		\$7,212	\$7,212
18,001 to 60,000 gals		2,176.337	2,176.000		\$5.73		\$12,468	\$12,468
Over 60,000 gals		3,245.976	3,246.000		\$6.61		\$21,456	\$21,456
	<u>1,064.0</u>	<u>36,671.741</u>	<u>36,672.000</u>				<u>\$213,238</u>	<u>\$213,238</u>
Total Water Revenues	3,092.0	64,416.544	64,416.000			\$329,292	\$335,589	\$664,881
						28.95%	29.50%	
Availability Billing-DIUC	2,280.0			\$107.49				\$245,077
Availability Billing-MUC/BP	<u>1,720.0</u>			<u>\$107.49</u>				<u>\$184,883</u>
	<u>4,000.0</u>							<u>\$429,960</u>
Misc. Revenue (Late Chgs)							3.75%	\$42,691
Total Water Operating Revenue								<u>\$1,137,531</u>

Schedule W-F.1

Daufuskie Island Utility Company, Inc.

Revenue Requirement

		<u>Water</u>
Equity Return		\$202,612
Gross Revenue Tax	0.63150%	2,054
Effective Income Tax Rate	37.3000%	<u>120,533</u>
Equity Grossed-Up	37.6960%	325,198
O&M Expenses		479,779
Depreciation		41,938
Amortization		103,038
Property Taxes		91,967
Payroll Taxes		6,866
Interest Expense		<u>83,602</u>
		807,190
Gross Revenue Tax		<u>5,130</u>
		812,320
Revenue Requirement		<u><u>\$1,137,518</u></u>
Revenue @ Present Rates		547,077
Percentage Increase		107.9%

Schedule S-B

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Sewer Rate Base Calculation

	12/31/2014	Test Year Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Plant in Service	\$4,065,347	\$12,224	\$4,077,571	\$111,733	\$4,189,304
Accumulated Depreciation	(407,074)	2,386	(404,688)	56,230	(348,458)
CWIP	225,342	0	225,342	(225,342)	0
Contributions in Aid of Construction	(201,795)	0	(201,795)	(11,750)	(213,545)
Accum. Amortization of CIAC	17,689	(765)	16,924	1,665	18,589
Net Plant	3,699,510	13,844	3,713,354	(67,464)	3,645,890
Working Capital (1/5th O&M)	75,842	18,078	93,920	1,589	77,431
Unamortized Balances	0	0	0	83,650	83,650
Rate Base	<u>\$3,775,352</u>	<u>\$31,922</u>	<u>\$3,807,275</u>	<u>\$17,775</u>	<u>\$3,806,971</u>

Schedule S-B.1

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Adjustments to Pro Forma Sewer System Rate Base

1	Adjustments to Utility Plant in Service.			
	a) General Plant-Structures (Lagoon)	\$ 225,342		
	Retire Prior Lagoon Pond	(113,609)		
	Adjustment		\$ 111,733	
2	Adjust accumulated depreciation to reflect pro forma annual depreciation.			
	a) Annual Depreciation (Schedule C-3)	\$ 54,993		
	Retire Prior Lagoon Pond	\$ (113,609)		
	Adjustment		\$ (58,616)	
3	Reclass Construction Work in Progress to Plant in Service.			
	Adjustment		\$ (225,342)	
4	Adjust CIAC for Tap Fees related to pro forma customer growth.			
	Adjustment		\$ (11,750)	
5	Adjust accumulated amortization of CIAC to reflect pro forma annual amortization.			
	a) Annual Amortization (Schedule C-3)	\$ (1,665)		
	Adjustment		\$ 1,665	
e)	Adjust working capital allowance for changes to O&M expenses.			
	Expense Adjustment	\$ 7,945		
	Working Capital Allowance (Qtrly Billing)	20%		
	Adjustment		\$ 1,589	
f)	Adjustment to reflect the average unamortized balance of rate case expense and deferred property taxes.			
	Rate Case Costs	\$ 95,600		
	Amortization Period (yrs)	4		
	Average Unamortized Balance	83,650		
	Adjustment		\$ 83,650	

Schedule S-B.2

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Sewer Utility Plant in Service

	UPIS Acct	12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Organizational Costs	351	\$ 73,597		\$ 73,597	\$ -	\$ 73,597
Land	353	63,710		63,710	-	63,710
Collection Mains	361	2,118,279		2,118,279	-	2,118,279
Flow Measuring Device	367		1,956	1,956		1,956
WW Pumping Plant	371	158,189	2,549	160,738	-	160,738
WW Treatment & Disposal Plant	380	259,462	4,411	263,873	(113,609)	150,264
T&D-Aeration Motors	380A	31,832		31,832	-	31,832
Plant Sewers	381	818,187		818,187		818,187
Outfall Sewer Lines	382	66,704		66,704	-	66,704
Power Generation Equip	355	4,632	3,308	7,940		7,940
Other Intangible Plant	398	204		204	-	204
General Plant-Structures	354	437,859		437,859	225,342	663,201
Office Equipment	390	14,117		14,117	-	14,117
Transportation Equipmt	391	5,103		5,103	-	5,103
General Plant-Tools & Equip	393	13,472		13,472	-	13,472
Total Sewer Plant		\$ 4,065,347	\$ 12,224	\$ 4,077,571	\$ 111,733	\$ 4,189,304

Schedule S-B.3

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Sewer Accumulated Depreciation

	UPIS Acct	12/31/2014	Additions	Adjusted Test Year	Pro Forma Adjustment	Pro Forma 12/31/2015
Collection Mains	361	\$ 251,560		\$ 251,560	\$ 16,513	\$ 268,073
Flow Measuring Device	367			-	46	46
WW Pumping Plant	371	7,029		7,029	2,426	9,455
WW Treatment & Disposal Plant	380	21,103	(2,386)	18,717	(109,899)	(91,181)
T&D-Aeration Motors	380A	2,274		2,274	4,547	6,821
Plant Sewers	381	105,306		105,306	7,210	112,516
Outfall Sewer Lines	382	8,997		8,997	473	9,470
Power Generation Equip	355	34		34	122	157
Other Intangible Plant	398	4		4	8	12
General Plant-Structures	354	3,835		3,835	18,071	21,906
Office Equipment	390	791		791	706	1,497
Transportation Equipmt	391	2,224		2,224	850	3,075
General Plant-Tools & Equip	393	3,918		3,918	2,694	6,612
Total Sewer Plant		\$407,074	-\$2,386	\$404,688	-\$56,230	\$348,458

Schedule S-B.4

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Sewer CIAC and Accumulated Amortization

	<u>12/31/2014</u>	<u>Additions</u>	<u>Adjusted Test Year</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma 12/31/2015</u>
CIAC - Tap Fees	\$ 201,795	\$ -	\$ 201,795	\$ 11,750	\$ 213,545
CIAC - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water - CIAC	<u>\$ 201,795</u>	<u>\$ -</u>	<u>\$ 201,795</u>	<u>\$ 11,750</u>	<u>\$ 213,545</u>
Accum. Amortization - Tap Fees	\$ 17,689	\$ -	\$ 16,924	\$ 1,665	\$ 18,589
Accum. Amortization - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water - CIAC Amortization	<u>\$ 17,689</u>	<u>\$ -</u>	<u>\$ 16,924</u>	<u>\$ 1,665</u>	<u>\$ 18,589</u>

Schedule S-C

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Sewer Operating Statement

	Year-End 12/31/2014	Ref.	Adjustments	12/31/2015	
				Pro Forma Present Rates	Pro Forma Proposed Rates
Operating Revenue:					
Residential	\$168,168	E.1	\$12,646 (1a)	\$180,814	\$209,894 (1b)
Commercial	78,577	E.1	(3,001) (1c)	75,576	80,448 (1d)
Irrigation	0		0	0	0
Availability Billing	276,661	E.1	(4,490) (1e)	272,171	290,749 (1f)
Misc. Other Revenue	9,749	E.1	33 (1g)	9,783	10,755 (1h)
Interdepartmental Sales	0		0	0	0
Billing Adj (Remove Tap Fees)	0		0	0	0
Total Revenues	533,155		5,188	538,343	591,847
Operating Expense:					
Wages	78,301	C.2	4,074 (2)	82,376	82,376
Benefits	4,490	C.2	853 (3)	5,343	5,343
Officer & Director's Fees	8,250	C.2	0 (4)	8,250	8,250
Sludge Disposal	0	C.2		0	0
Power	57,856	C.2	25,767 (5)	83,623	83,623
Chemicals	4,510	C.2	260 (6)	4,770	4,770
Supplies & Maintenance	13,288	C.2	711 (7)	13,999	13,999
Outside Services-Mgmt	78,825	C.2	6,857 (8)	85,682	85,682
Outside Services-Engineering	9,712	C.2	(4,269) (9)	5,443	5,443
Outside Services-Accounting	1,381			1,381	1,381
Outside Services-Legal	11,589	C.2		11,589	11,589
Outside Services-Testing	10,711	C.2		10,711	10,711
Outside Services-Other	7,596	C.2		7,596	7,596
Other Operating Expenses	0	C.2		0	0
Transportation	1,225	C.2	153 (10)	1,378	1,378
Bad Debt	52,834	C.2	(44,747) (11)	8,086	8,887 (20)
Insurance	12,008	C.2	12,153 (12)	24,161	24,161
Regulatory Commission Expense	4,884	C.2	(2,754) (13)	2,130	2,130
Other A&G Expenses	21,753	C.2		21,753	21,753
Total O&M Expense	379,211		(942)	378,270	387,157
Depreciation	36,151	C.2	17,177 (14)	53,328	53,328
Amortization	46,210	C.2	56,828 (15)	103,038	103,038
Revenue Taxes	2,996	C.2	404 (16)	3,400	3,737 (21)
Property Taxes	2,105	C.2	98,230 (17)	100,334	100,334
Payroll Taxes	6,591	C.2	274 (18)	6,866	6,866
State and Federal Income Taxes	0	C.2	0 (19)	0	139,962 (22)
Total Operating Expenses	473,265		171,971	645,236	797,822
Net Operating Income	\$59,890			(\$106,893)	\$332,368
Rate Base	\$3,775,352			\$3,806,971	\$3,806,971
Rate of Return	1.59%			-2.81%	8.73%
				Revenue Increase	109.9%

Schedule S-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Sewer)

Adjustment (1)

a) Adjust residential revenue to reflect the pro forma number of customers at present rates.				
Residential Revenue Per Schedule E.1			180,814	
Less: Residential Revenue Per Books (Test Year)			170,724	
				10,090
b) Adjust residential revenue to reflect the pro forma number of customers at proposed rates.				
Residential Revenue Per Schedule E.2			390,708	
Less: Residential Revenue Per Schedule E.1			180,814	
				209,894
c) Adjust commercial revenue to reflect the pro forma number of customers at present rates.				
Commercial Revenue Per Schedule E.1			75,576	
Less: Commercial Revenue Per Books (Test Year)			74,396	
				1,180
d) Adjust commercial revenue to reflect the pro forma number of customers at proposed rates.				
Commercial Revenue Per Schedule E.2			156,024	
Less: Commercial Revenue Per Schedule E.1			75,576	
				80,448
e) Adjust availability revenue to reflect the pro forma number of customers at present rates.				
Availability Revenue Per Schedule E.1			272,171	
Less: Availability Revenue - Test Year			281,635	
Adjustment				(9,464)
f) Adjust availability revenue to reflect the pro forma number of customers at proposed rates.				
Availability Revenue Per Schedule E.2			562,920	
Less: Availability Revenue Per Schedule E.1			272,171	
Adjustment				290,749
g) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at present rates relative to test year total revenue.				
	Total Rev.		Misc. Rev.	
Misc Revenue Per Schedule E.1	538,343	1.82%	9,783	
Less: Misc Revenue - Test Year	536,503	1.82%	9,749	
Adjustment				33
h) Adjust miscellaneous revenues to reflect percentage of pro forma total revenue at proposed rates relative to pro forma total revenue at present rates.				
	Total Rev.		Misc. Rev.	
Misc Revenue Per Schedule E.2	1,130,190	1.82%	20,538	
Less: Misc Revenue Per Schedule E.1	538,343	1.82%	9,783	
Adjustment				10,755

Adjustment (2)

Increase the previous level of wages for 4 full-time shared employees to reflect the wages of 4 full-time 1 part-time shared employee (an effort to reduce OT) including a 3% wage increase for the full-time employees.				
Pro forma costs (WP 7.4)			82,376	
Less: Test period costs			78,301	
Adjustment				4,074

Adjustment (3)

Adjust employee insurance benefits to reflect current premiums.				
Pro forma costs (WP 7.4)			5,343	
Less: Test period costs			4,490	
Adjustment				853

Schedule S-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Sewer)

Adjustment (4)

Adjust Directors' Fees to reflect annual Officer's fees of \$12,000 and Directors' fees of \$4,500 split between water and sewer operations.

Pro forma costs	8,250	
Less: Test period costs	8,250	
Adjustment		0

Adjustment (5)

Adjust pro forma bills to reflect corrected 2nd and 3rd quarter SCE&G bills and increase the level of power costs for increased system demand.

	Test Period	Factor	Pro Forma	
July-YE Power	39,527			
Annualized SCE&G Corrected Bills	79,053	1.058	83,623	
less: Test Year			57,856	
Adjustment				25,767

Adjustment (6)

Increase the level of chemical costs for increased system demand.

	Test Period	Factor	Pro Forma	
Test period costs	4,510	1.058	4,770	
Adjustment				260

Adjustment (7)

Increase the level of operating supply costs for increased number of customers.

Test period costs	13,288	
Factor for increase in customers	1,054	
	13,999	
Adjustment		711

Adjustment (8)

Adjust Outside Services-Management to reflect contractual annual increases.

Test period costs	78,825	
Factor for increase in customers	1,050	
	82,785	
Annual Increase	3.5%	
	85,682	
Adjustment		6,857

Adjustment (9)

Adjust Outside Services-Engineering to reflect 2010-2013 average cost to normalize expense.

	2011	2012	2013	2014	Average	
Annual Cost	2,350	6,617	3,093	9,712	5,443	
Less: Test period costs					9,712	
Adjustment						(4,269)

Adjustment (10)

Adjust transportation costs relative to the number of employees.

	Test Period	Factor	Pro Forma	
Transportation	1,225	1.125	1,378	
Adjustment				153

Adjustment (11)

Adjust bad debt expense to reflect revenue write-off percentages established in prior case applied to pro forma revenue under present rates.

Metered Sales-Bad debt at .5% of revenues	256,389	0.5%	1,282	
Availability Sales-Bad Debt at 2.5% of revenue	272,171	2.5%	6,804	
			8,086	
Test period costs			52,834	
Adjustment				(44,747)

Adjustment (12)

Adjustment to record general liability insurance to reflect recent premiums.

	Vehicle	Op Bond	General	Flood	Sewer Syst.	
Pro Forma Expense	2,576	10,500	28,531	6,715	24,161	
Test Period Expense					12,008	
Adjustment						12,153

Schedule S-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Sewer)

Adjustment (13)

Adjust Regulatory Expenses to reflect most recent DHEC land application permits.

	Golf Course	WWTP		
Pro Forma Expense	800	1,330	2,130	
Test Period Expense			4,884	
Adjustment				<u>(2,754)</u>

Adjustment (14)

Adjustment to reflect the annual depreciation for pro forma plant in service.

Pro Forma Depreciation Expense	53,328	
Test period Depreciation Expense	36,151	
Adjustment		<u>17,177</u>

Adjustment (15)

Adjustment to reflect the amortization of rate case expense and deferred Property Taxes.

	Cost	Years	Annual	
Total rate case cost	95,600	4	23,900	
Property Taxes	263,422	8	32,928	
Annual amortization				<u>56,828</u>

Adjustment (16)

Adjustment to reflect the revenue taxes on pro forma revenue under present rates.

Revenue	538,343	
Revenue Tax Rate	0.63150%	
	3,400	
Less: Test Year Revenue Tax	2,996	
Adjustment		<u>404</u>

Adjustment (17)

Adjustment property Taxes to reflect actual tax bills and rates for updated market values of Land, Building & Contents.

	Market Value	Assessed Value	Effective Tax Rate	Property Tax Amt	
Pro Forma Property Taxes	3,840,846	403,289	0.24879	100,334	
Less: Test Year Property Taxes				2,105	
Adjustment					<u>98,230</u>

Adjustment (18)

Increase the level of payroll taxes to reflect pro forma wages.

Pro forma costs (WP 7.4)	6,866	
Test period costs	6,591	
Adjustment		<u>274</u>

Adjustment (19)

Adjustment to reflect State and Federal Income Taxes.

Revenue	538,343		
O&M Expense	(378,270)		
Depreciation	(53,328)		
Amortization	(103,038)		
Taxes - Other	(110,600)		
Interest Expense	(97,078)		
State Taxable Income	(203,970)		
State Income Tax Rate		5.000%	
SIT			0
Federal Taxable Income	(203,970)		
Federal Income Tax Rate		30.788%	
FIT			0
Pro Forma Income Tax			0
Test Period Income Tax			0
Adjustment			<u>0</u>

Schedule S-C.1

Daufuskie Island Utility Company, Inc.
Adjustments to Operating Statement (Sewer)

Adjustment (20)

Adjust bad debt expense to reflect rate increase.

Pro forma Bad Debt at Present Rates	8,086	
Rate Increase Percentage	109.9%	
Adjustment		<u>8,887</u>

Adjustment (21)

Adjustment to reflect the revenue taxes on pro forma revenue under proposed rates.

Revenue Requirement	1,130,171	
Revenue Tax Rate	0.63150%	
Revenue Tax at Proposed Rates	7,137	
Revenue Tax at Present Rates	3,400	
Adjustment		<u>3,737</u>

Adjustment (22)

Adjustment to reflect State and Federal Income Taxes.

Revenue	1,130,171		
O&M Expense	(387,157)		
Depreciation	(53,328)		
Amortization	(103,038)		
Taxes - Other	(114,337)		
Interest Expense	(97,078)		
State Taxable Income	375,233		
State Income Tax Rate		5.000%	
SIT			18,762
Federal Taxable Income	356,471		
Federal Income Tax Rate		34.000%	
FIT			121,200
Pro Forma Income Tax-Proposed Rates			139,962
Pro Forma Income Tax-Present Rates			0
Adjustment			<u>139,962</u>

Schedule S-C.2

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Operating Expenses - Sewer

	Acct	12 Months Ended 12/31/13 Expense	12 Months Ended 12/31/14 Expense	Adjusted Rate Year Expense
Wages	701	49,297	78,301	82,376
Benefits	703	5,495	4,490	5,343
Officer & Director's Fees	704	2,250	8,250	8,250
Sludge Disposal		0	0	0
Power	715	36,833	57,856	83,623
Chemicals	718	5,936	4,510	4,770
Supplies & Maintenance	720	8,185	13,288	13,999
Outside Services-Mgmt	734	76,157	78,825	85,682
Outside Services-Engineering	731	3,093	9,712	5,443
Outside Services-Accounting	732	1,999	1,381	1,381
Outside Services-Legal	733	5,819	11,589	11,589
Outside Services-Testing	735	16,949	10,711	10,711
Outside Services-Other	736	11,426	7,596	7,596
Other Operating Expenses		0	0	0
Transportation	750	2,714	1,225	1,378
Bad Debt	770	69,756	52,834	8,086
Insurance	757	18,952	12,008	24,161
Regulatory Commission Expense	767	12,572	7,818	2,130
a) Reclass to Revenue Tax	767	(1,889)	(2,934)	
Other A&G Expenses	775	11,339	21,753	21,753
Total O&M Expense		336,882	379,211	378,270
Depreciation	403	28,770	36,151	53,328
Amortization	407	46,210	46,210	103,038
Revenue Taxes	408	63	63	3,400
a) Reclass from Reg. Comm. Exp.	408	1,889	2,934	
Property Taxes	408	3,985	2,105	100,334
Payroll Taxes	408	7,345	6,591	6,866
State and Federal Income Taxes	409	0	0	0
Total Operating Expenses		425,143	473,265	645,236

Schedule S-C.3

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Depreciation Expense - Sewer

	Pro Forma UPIS Balance	Depreciation Rate	Pro Forma Utilization	Pro Forma Depreciation Expense
Collection Mains	\$ 2,118,279	2.198%	35.47%	\$ 16,513
Flow Measuring Device	1,956	6.667%	35.47%	46
WW Pumping Plant	160,738	4.255%	35.47%	2,426
WW Treatment & Disposal Plant	150,264	2.484%	35.47%	1,324
T&D-Aeration Motors	31,832	14.286%	100.00%	4,547
Plant Sewers	818,187	2.484%	35.47%	7,210
Outfall Sewer Lines	66,704	2.000%	35.47%	473
Power Generation Equip	7,940	4.348%	35.47%	122
Other Intangible Plant	204	4.000%	100.00%	8
General Plant-Structures	663,201	2.725%	100.00%	18,071
Office Equipment	14,117	5.000%	100.00%	706
Transportation Equipmt	5,103	16.667%	100.00%	850
General Plant-Tools & Equip	13,472	20.000%	100.00%	2,694
CIAC - Tap Fees	(213,545)	2.198%	35.47%	(1,665)
CIAC - Other	-	2.000%	35.47%	-
	<u>3,838,452</u>			<u>53,328</u>
Depreciation Expense				\$ 54,993
Amortization of CIAC				<u>(1,665)</u>
Net Depreciation				<u>\$ 53,328</u>

Schedule S-D

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems
Sewer Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
L-T Debt	\$1,567,330	41.2%	6.20%	2.55%
S-T Debt	0	0.0%	2.42%	0.00%
Equity	<u>2,239,641</u>	<u>58.8%</u>	10.50%	<u>6.18%</u>
	<u><u>\$3,806,971</u></u>	<u><u>100.0%</u></u>		<u><u>8.73%</u></u>

Schedule S-E

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Sewer Billing Analysis at Present Rates
12/31/2014

	<u>Quarterly Bills</u>	<u>Annual Usage (tg)</u>	<u>Billed Usage (tg)</u>	<u>Quarterly Base Chg</u>	<u>Usage Charge</u>	<u>Base Chg Revenue</u>	<u>Usage Revenue</u>	<u>Total Revenue</u>
Residential-DIUC	1,044.0			\$110.38		\$115,237		\$115,237
Total gals		11,552.907	11,553.000		\$1.32		\$15,250	\$15,250
Residential-MUC/BP	443.0			\$80.72		\$35,759		\$35,759
Total gals		6,222.398	2,296.390		\$1.95		\$4,478	\$4,478
	<u>1,487.0</u>	<u>17,775.305</u>	<u>13,849.390</u>			<u>\$150,996</u>	<u>\$19,728</u>	<u>\$170,724</u>
Commercial-DIUC	102.0			\$178.21		\$18,177		\$18,177
Total gals		4,495.220	4,495.000		\$1.32		\$5,933	\$5,933
Commercial-MUC/BP	166.0			\$136.60		\$22,676		\$22,676
Total gals		3,996.052	2,389.990		\$1.95		\$4,660	\$4,660
Multi-Unit-MUC/BP	168.0			\$136.60		\$22,949		\$22,949
Total gals					\$1.95		\$0	\$0
	<u>436.0</u>	<u>8,491.272</u>	<u>6,884.990</u>			<u>\$63,802</u>	<u>\$10,594</u>	<u>\$74,396</u>
Total Sewer Revenues	1,923.0	26,266.577	20,734.379			\$214,798 87.6%	\$30,322 12.4%	\$245,119
Availability Billing-DIUC	2,063.0			\$55.19				\$113,857
Availability Billing-MUC/BP	<u>1,972.0</u>			<u>\$85.08</u>				<u>\$167,778</u>
	4,035.0							\$281,635
Misc. Revenue (Late Chgs)							1.82%	\$9,749
Interdepartmental Revenue								\$0
Total Sewer Operating Revenue								<u>\$536,503</u>
Revenue Per Books								<u>\$533,155</u>
Difference								<u>\$3,349</u>

Schedule S-E.1

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

Sewer Billing Analysis at Present Rates
Pro Forma Year-End 12/31/2015

	Quarterly Bills	Annual Usage (tg)	Billed Usage (tg)	Quarterly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
Residential-DIUC	1,092.0			\$110.38		\$120,535		\$120,535
Total gals		12,038.050	12,038.000		\$1.32		\$15,890	\$15,890
Residential-MUC/BP	492.0			\$80.72		\$39,714		\$39,714
Total gals		6,916.301	2,397.000		\$1.95		\$4,674	\$4,674
	1,584.0	18,954.351	14,435.000			\$160,249	\$20,564	\$180,814
Commercial-DIUC	102.0			\$178.21		\$18,177		\$18,177
Total gals		4,585.124	4,585.000		\$1.32		\$6,052	\$6,052
Commercial-MUC/BP	164.0			\$136.60		\$22,402		\$22,402
Total gals		4,245.452	2,514.000		\$1.95		\$4,902	\$4,902
Multi-Unit-MUC/BP	176.0			\$136.60		\$24,042		\$24,042
Total gals					\$1.95		\$0	\$0
	442.0	8,830.577	7,099.000			\$64,621	\$10,955	\$75,576
Total Sewer Revenues	2,026.0	27,784.927	21,534.000			\$224,871 87.7%	\$31,519 12.3%	\$256,389
Availability Billing-DIUC	2,280.0			\$55.19				\$125,833
Availability Billing-MUC/BP	1,720.0			\$85.08				\$146,338
	4,000.0							\$272,171
Misc. Revenue (Late Chgs)							1.82%	\$9,783
Interdepartmental Revenue								\$0
Total Sewer Operating Revenue								<u>\$538,343</u>

Schedule S-E.2

**Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems**

**Sewer Billing Analysis at Proposed Rates
Pro Forma Year-End 12/31/2015**

	Quarterly Bills	Annual Usage (tg)	Billed Usage (tg)	Quarterly Base Chg	Usage Charge	Base Chg Revenue	Usage Revenue	Total Revenue
Residential-DIUC	1,092.0			\$218.18		\$238,253		\$238,253
Total gals		12,038.050	12,038.000		\$2.38		\$28,650	\$28,650
Residential-MUC/BP	492.0			\$218.18		\$107,345		\$107,345
Total gals		6,916.301	6,916.000		\$2.38		\$16,460	\$16,460
	<u>1,584.0</u>	<u>18,954.351</u>	<u>18,954.000</u>			<u>\$345,597</u>	<u>\$45,111</u>	<u>\$390,708</u>
Commercial-DIUC	102.0			\$305.45		\$31,156		\$31,156
Total gals		4,585.124	4,585.000		\$2.38		\$10,912	\$10,912
Commercial-MUC/BP	164.0			\$305.45		\$50,094		\$50,094
Total gals		4,245.452	4,245.000		\$2.38		\$10,103	\$10,103
Multi-Unit-MUC/BP	176.0			\$305.45		\$53,759		\$53,759
Total gals		0.000	0.000		\$2.38		\$0	\$0
	<u>442.0</u>	<u>8,830.577</u>	<u>8,830.000</u>			<u>\$135,009</u>	<u>\$21,015</u>	<u>\$156,024</u>
Total Sewer Revenues	2,026.0	27,784.927	27,784.000			\$480,606 87.91%	\$66,126 12.09%	\$546,732
Availability Billing-DIUC	2,280.0			\$140.73				\$320,864
Availability Billing-MUC/BP	<u>1,720.0</u>			<u>\$140.73</u>				<u>\$242,056</u>
	<u>4,000.0</u>							<u>\$562,920</u>
Misc. Revenue (Late Chgs)							1.82%	\$20,538
Interdepartmental Revenue								\$0
Total Sewer Operating Revenue								<u>\$1,130,190</u>

Schedule S-F.1

Daufuskie Island Utility Company, Inc.

Revenue Requirement

		<u>Sewer</u>
Equity Return		\$235,271
Gross Revenue Tax	0.63150%	2,385
Effective Income Tax Rate	37.3000%	<u>139,962</u>
Equity Grossed-Up	37.6960%	377,617
O&M Expenses		387,157
Depreciation		53,328
Amortization		103,038
Property Taxes		100,334
Payroll Taxes		6,866
Interest Expense		<u>97,078</u>
		747,801
Gross Revenue Tax		<u>4,752</u>
		752,553
Revenue Requirement		<u>\$1,130,171</u>
Revenue @ Present Rates		538,343
Percentage Increase		109.9%

Schedule S-F.2

Daufuskie Island Utility Company, Inc.

Rate Design - Sewer System

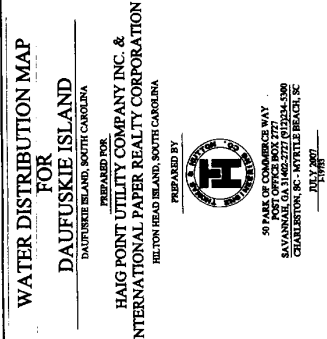
Metered Sales

		PRESENT Quarterly Rates	Factor	PROPOSED Quarterly Rates	Percentage Change		
Base Service:							
Residential-DIUC		\$ 110.38	1.00	\$ 218.18	97.7%	Pro Forma Existing Rates:	
Residential-MUC/BP		\$ 80.72	0.73	\$ 218.18	170.3%	Service Charge Revenue	\$ 224,870.62
Commercial-DIUC		\$ 178.21	1.61	\$ 305.45	71.4%	Metered Usage Revenue	31,518.81
Commercial-MUC/BP		\$ 136.60	1.24	\$ 305.45	123.6%	Irrigation Revenue	-
Multi-Family-MUC/BP		\$ 136.60	1.24	\$ 305.45	123.6%	Availability Revenue	272,170.80
Availability Billing-DIUC		\$ 55.19	0.50	\$ 140.73	155.0%	Subtotal	\$ 528,560.23
Availability Billing-MUC/BP		\$ 85.08	0.77	\$ 140.73	65.4%	Late Charge Revenue	9,782.88
						Total Revenue	\$ 538,343.11
Usage:							
Residential-DIUC		\$ 1.32	1.00	\$ 2.38	80.3%	Pro Forma Revenue Requirement:	
Residential-MUC/BP		\$ 1.95	1.48	\$ 2.38	22.1%	Service Charge Revenue	\$ 472,082.10
Commercial-DIUC		\$ 1.32	1.00	\$ 2.38	80.3%	Metered Usage Revenue	66,169.01
Commercial-MUC/BP		\$ 1.95	1.48	\$ 2.38	22.1%	Irrigation Revenue	-
Multi-Family-MUC/BP		\$ 1.95	1.48	\$ 2.38	22.1%	Availability Revenue	571,381.73
						Subtotal	\$ 1,109,632.84
						Late Charge Revenue	20,537.69
						Total Revenue	\$ 1,130,170.53

(Sch E.2 Results)	% Increase
\$ 480,606.02	113.7%
66,125.92	109.8%
562,920.00	106.8%
\$ 1,109,651.94	
20,538.04	109.9%
\$ 1,130,189.98	109.9%

Service Charge Rates	Quarterly Bills	Factor	Factored Bills	Proposed Rate
Residential-DIUC	1,092	1.00	1,092.0	\$ 218.18
Residential-MUC/BP	492	1.00	492.0	\$ 218.18
Commercial-DIUC	102	1.40	142.8	\$ 305.45
Commercial-MUC/BP	164	1.40	229.6	\$ 305.45
Multi-Family-MUC/BP	176	1.40	246.4	\$ 305.45
Availability Billing-DIUC	2,280	0.645	1,470.6	\$ 140.73
Availability Billing-MUC/BP	1,720	0.645	1,109.4	\$ 140.73
	6,026		4,782.8	
			\$ 1,043,463.83	
			\$ 218.18	

Usage Rates	TG	Factor	Factored Bills	Proposed Rate
Residential-DIUC	12,038.0	1.00	12,038.0	\$ 2.38
Residential-MUC/BP	6,916.0	1.00	6,916.0	\$ 2.38
Commercial-DIUC	4,585.0	1.00	4,585.0	\$ 2.38
Commercial-MUC/BP	4,245.0	1.00	4,245.0	\$ 2.38
Multi-Family-MUC/BP	-	1.00	0.0	\$ 2.38
0 to 18,000 gals (quarterly)	-		0.0	
18,001 to 60,000 gals	-		0.0	
Over 60,000 gals	27,784.0		27,784.0	
			\$ 66,169.01	
			\$ 2.38	



Amended Statement of Proposed Rates

		Haig Pt. Present Rates	Melrose Present Rates	DIUC Proposed Rates
I. <u>Residential Rates</u>				
A. <u>Water:</u>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$62.09	\$80.72	\$149.30
3)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.76	\$0.00
			Over 22,500 gallons	\$2.44
		\$2.76	\$2.44	\$4.41
B. <u>Sewer:</u>				
1)	Tapping Fees & Service Lateral	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$110.38	\$80.72	\$218.18
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$1.32	\$0.00
			Over 22,500 gallons	\$1.95
		\$1.32	\$1.95	\$2.38
C. <u>Irrigation:</u>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$2.76	\$1.66
		18,001 to 60,000 gallons	\$3.09	\$1.66
		Over 60,000 gallons	\$3.50	\$1.66
				\$4.85
				\$5.73
				\$6.61
II. <u>Commercial Rates</u>				
A. <u>Water:</u>				
1)	Tapping Fees per Hotel or Inn Room	\$250.00	\$250.00	\$250.00
2)	Tapping Fees up to 1-1/2" Meter	\$500.00	\$500.00	\$500.00
3)	Tapping Fees 2" or 3" Meter	\$1,500.00	\$1,500.00	\$1,500.00
4)	Tapping Fees for 6" Meter	\$3,500.00	\$3,500.00	\$3,500.00
	Note: Larger meters on a case by case basis.			
5)	Base Quarterly Charge	\$86.93	\$136.60	\$209.01
6)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.76	\$0.00
		Over 22,500 gallons	\$2.76	\$1.95
				\$4.41
B. <u>Sewer:</u>				
1)	Tapping Fees per Hotel or Inn Room	\$250.00	\$250.00	\$250.00
2)	Tapping Fees 4" - 8" Sewer Pipe	\$500.00	\$500.00	\$500.00
2)	Base Quarterly Charge	\$178.21	\$136.60	\$305.45
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$1.32	\$0.00
			Over 22,500 gallons	\$1.95
				\$2.38
				\$2.38
C. <u>Irrigation:</u>				
1)	Tapping Fees & 3/4" Meter Box	\$500.00	\$500.00	\$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$2.76	\$1.66
		18,001 to 60,000 gallons	\$3.09	\$1.66
		Over 60,000 gallons	\$3.50	\$1.66
				\$4.85
				\$5.73
				\$6.61

III. **Availability Rates (Quarterly)**

A. <u>Water</u>	\$31.05	\$76.38	\$107.49
B. <u>Sewer</u>	\$55.19	\$85.08	\$140.73

IV. **Special Conditions**

- A. Tapping Fees:
Remain as in original tariff.
- B. Backflow Prevention:
Remain as in original tariff.
- C. System Development Charge:
Remain as in original tariff.